C.8650

Industrial Distribution

November 1985

Hotline:
New DOJ guidelines
may alter
distribution business

a TECHNICAL PUBLISHING

62A14 4067682 W35 3 447 M
JOHN P KENNEDY
CONGRESSIONAL INFORMATION
4520 EAST-WEST HWY STE 80
BETHESDA MD 20814-

Update '85:
COMPUTERS/TELECOMMUNICATIONS

ID Industrial Distribution

VOL. 74, NO. 11/74th yr. A TECHNICAL PUBLISHING PUBLICATION NOVEMBER 1985

7
INDUSTRY NEWS
First warehousing facilities show slated for March 24-27, 1986; J.H. Williams moves to GA, plans to merge with S.K. Hand Tools; Central States 53rd convention November 24-25; Call to Action; Invetech acquires American Bearing and Power Transmission; Indicators.

55
HOTLINE
New DOJ guidelines may alter distribution business

57
THE NEW LOOK AT BRIGGS-WEAVER

63
STRICTLY FOR SALESMEN
Listen Up

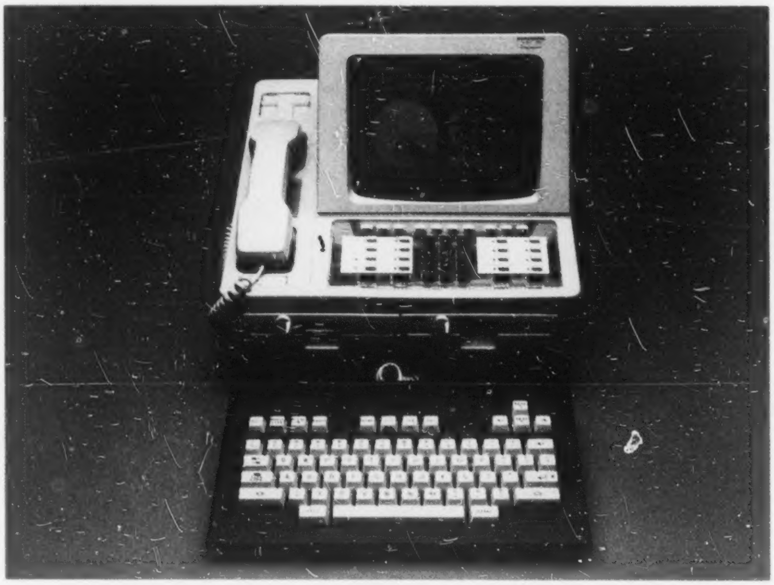
65
ID's QUARTERLY INFLATION INDEX

Industrial Distribution, (USPS-889-860) is published monthly by Technical Publishing, a Division of Dun-Donnelley Publishing Corporation, a Company of the Dun & Bradstreet Corporation, John K. Abely, President. EXECUTIVE, EDITORIAL AND ADVERTISING OFFICES, 875 Third Ave., New York, NY 10022. (212) 605-9400. Second class postage paid at Barrington, IL 60010 and additional mailing office.

Postmaster: Send address changes to Industrial Distribution, Circulation Dept., P.O. Box 1063, Barrington, IL 60010.

Microfilm or reproductions of issues or articles are available. Write Xerox University Microfilms, Ann Arbor, MI 48109.

29 COVER STORY
UPDATE '85: COMPUTER/TELECOMMUNICATIONS



Distributors eye telecommunications to enhance/enlarge computer systems.

71
RETURNED GOODS
Don't suffer that returned goods syndrome

84
SELLING YOUR FAMILY BUSINESS

9 READER SERVICE CARD
16 MEETINGS
18 READERS WRITE
21 WASHINGTON REPORT
25 REGIONAL REPORT
27 LIKE IT OR NOT
113 WE WERE THERE
118 NEW PRODUCTS
141 IN PRINT
147 READER SERVICE CARD
149 APPOINTMENTS
154 CLASSIFIED ADVERTISING
155 ADVERTISERS' INDEX
156 TALK OF THE TRADE

86
COMMENTARY
Systems contracting: reality or buzzwork

94
CAPSULE SALES CONCEPT
Selling performance

99
MARKETING/ OPERATIONS IDEAS
Selling Hollywood: A kernel of luck and a swelling reputation; Flyer explains automated small parts storage; Belt demonstration kit is handy sales tool; Focus industrial parts on robotics market; Boost walk-in sales with counter display; Sharpen your edge on inside selling.

INDUSTRY NEWS

Demographics of distribution are changing, finds ASMMA study

CLEVELAND, OH—Although California is the number one state for industrial distribution, the Pacific coast and the mountain states lost a small share of business to the rest of the U.S. in 1984 compared to their 1981-1983 average, according to the 33rd edition of *Sales Through Industrial Distributors* published by the American Supply & Machinery Manufacturers' Assn.

The biggest decline, the ASMMA study found, occurred in the southwest central states, still reeling from the oil glut. There, total share of the U.S. industrial distribution market fell from 15.39% to 11.69%.

Among the U.S Census Bureau areas that improved their '81-'83 averages were: the north east central states which increased share of the market from 22.34% to 24.95%, the south Atlantic coastal states which grew from 13.38% to 14%, the mid-Atlantic states which raised their share from 13% to 13.4% and the northeast coastal states which went up from 4.88% to 5.53%, a healthy 13% increase in 1984.

The ASMMA study, which analyzes data submitted by 147 manufacturers, indicates that at the time of the study, California was still the leading state, followed by Texas, Ohio, Illinois, Pennsylvania, Michigan, New York, Indiana, Georgia and New Jersey. The 48th through 50th slowest states for distribution were Hawaii, Nevada and Vermont, in that order. The median state, ranking 25th, was Oklahoma.

California also took first place as the state containing the leading metropolitan trading area (see chart for complete listing). Los Angeles- Long Beach-Anaheim, which accounted for 5.28% of total U.S. sales through distributors. The second highest ranking metropolitan area, Chicago-Gary, however, rose to within 0.02% of equaling Los Angeles' supremacy.

The ASMMA study, *A Market Research and Economic Trend Analysis of Sales Through Industrial Distributors*, can be obtained by non-members, prepaid, for $100 by writing to American Supply & Machinery Manufacturers' Assn., 1230 Keith Building, Cleveland, OH 441115.☐

Listing of top 50 major metropolitan trading areas by rank

		Percent of U.S.		
		1984	1983	1982
1.	**Los Angeles—Long Beach—Anaheim Consolidated Area**	5.28	5.21	5.47
2.	**Chicago—Gary Consolidated Area**	5.26	4.74	4.81
3.	**New York—Newark—Jersey City—** Bridgeport Consolidated Area	4.86	4.83	4.96
4.	**Detroit—Ann Arbor Consolidated Area**	3.06	3.04	2.59
5.	**Dallas—Fort Worth, Texas**	2.67	2.59	2.98
6.	**Cleveland—Akron—Lorain Consolidated Area**	2.46	2.32	2.25
7.	**Philadelphia—Wilmington—Trenton Consolidated Area**	2.39	2.45	2.51
8.	**Houston—Galveston Consolidated Area**	2.33	2.64	3.90
9.	**San Francisco—Oakland—San Jose Consolidated Area**	2.12	2.26	2.18
10.	**Atlanta, Georgia**	1.74	1.77	1.44
11.	**Boston—Lowell—Brockton—** Lawrence—Haverhill, Massachusetts	1.70	1.68	1.53
12.	**Pittsburgh, Pennsylvania**	1.67	1.53	1.69
13.	**Minneapolis—St. Paul, Minnesota**	1.63	1.46	1.42
14.	**Milwaukee—Racine Consolidated Area**	1.59	1.31	1.21
15.	**St. Louis, Missouri**	1.36	1.40	1.49
16.	**Kansas City, Missouri**	1.25	1.03	1.04
17.	**Seattle—Tacoma Consolidated Area**	1.09	1.21	1.28
18.	**Indianapolis, Indiana**	1.08	.97	.76
19.	**Cincinnati—Hamilton Consolidated Area**	1.02	.96	.94
20.	**Birmingham, Alabama**	.99	1.10	1.15
21.	**Denver—Boulder, Colorado**	.95	1.01	1.09
22.	**Charlotte—Gastonia, North Carolina**	.88	.94	.75
23.	**Portland, Oregon**	.85	.90	.87
24.	**Baltimore, Maryland**	.83	.79	.79
25.	**Columbus, Ohio**	.81	.79	.82
26.	**Salt Lake City—Ogden, Utah**	.74	.70	.72
27.	**New Orleans, Louisiana**	.73	.87	1.11
28.	**Miami—Fort Lauderdale Consolidated Area**	.69	.73	.67
29.	**Greensboro—Winston Salem—Highpoint, North Carolina**	.68	.74	.45
30.	**Hartford—New Britain—Bristol, Connecticut**	.67	.63	.60
31.	**Buffalo, New York**	.66	.73	.71
32.	**Louisville, Kentucky**	.65	.71	.64
33.	**Dayton, Ohio**	.65	.58	.60
34.	**Grand Rapids, Michigan**	.65	.65	.49
35.	**Tampa—St. Petersburg, Florida**	.62	.67	.58
36.	**Phoenix, Arizona**	.62	.63	.60
37.	**Rochester, New York**	.58	.57	.56
38	**Worcester—Fitchburg—Leominster, Massachusetts**	.57	.47	.42
39.	**Memphis, Tennessee**	.56	.52	.53
40.	**Toledo, Ohio**	.55	.56	.50
41.	**Fort Wayne, Indiana**	.52	.61	.31
42.	**Tulsa, Oklahoma**	.49	.59	.72
43.	**Omaha, Nebraska**	.49	.50	.45
44.	**Richmond, Virginia**	.48	.50	.46
45.	**Oklahoma City, Oklahoma**	.48	.48	.81
46.	**Nashville—Davidson, Tennessee**	.47	.56	.42
47.	**Syracuse, New York**	.46	.47	.43
48.	**San Diego, California**	.44	.44	.43
49.	**Greenville—Spartanburg, South Carolina**	.44	.44	.42
50.	**Washington, District of Columbia**	.42	.46	.42

Frichtl joins ID editorial staff

NEW YORK, NY—Paul T. Frichtl recently joined ***ID*** as associate editor. He previously served as business editor of *World Mining Equipment* magazine, a sister publication of ***ID.*** Before coming to Technical Publishing, he was editor in chief of *The Mirror Recorder*, a weekly newspaper in Stamford, NY.

Frichtl

A 1983 graduate of Syracuse University with a Master's Degree in Journalism, Frichtl also has a BA in English from Washington State University. He and his wife, Anne, have a three-month-old daughter, Kristin.□

Vaco Products is marketing Cordomatic line

NORTHBROOK, IL—Vaco Products Co., a manufacturer of hand tools, solderless connectors and special application tools sold through distributors, has begun marketing the Cordomatic line of automatic cord reels.

Purchased by Vaco in 1984, Cordomatic's products have been sold separately until the recent merger of product lines. According to Vaco president, Ray Silverstein, the advantages of marketing Vaco and Cordomatic products together include better freight allowances, discounts on combined invoices, a combination co-op advertising program and better service.□

First warehousing facilities show slated for Mar.24-27, 1986

CHICAGO—*Depo 86*, a trade show described by its producers as "the first national show and conference devoted exclusively to the problems of warehousing and distribution," will makes its debut at McCormick Place here on March 27, 1986.

The National Warehousing & Distribution Facilities Exposition and Conference will feature five aspects of warehousing and distribution both in conference sessions presented during the Exposition and through exhibits on the floor of the hall.

They are: material handling, security provisions, atmospheric control, computer systems, and packing and packaging.

Conferences held during the course of Depo 86 will comprise four sessions, one each on management, applications, systems and equipment.

Talks scheduled include:

A discussion on raising capital entitled *Playing the Capital Authorization Game* presented by Dr. Thomas P. Cullinane, associate professor at Northeastern University, Boston; and a talk on implementing warehouse solutions called *The Challenge of Implementation* delivered by Dale Olson of Tompkins Associates, Raleigh, NC.

Designing A Distribution System which will discuss siting warehouses will be the subject of a presentation by John Spain of Tompkins Associates.

In addition, Kenneth B. Ackerman, president of K.B. Ackerman Co., Columbus, OH will discuss *Warehouse Space Management;* Kenneth Farmer, manager of physical distribution operations, for General Electric's Appliance Div., Louisville, KY will speak on *Balancing Labor and Technology: Major Appliance Handling and Storage*.

Robert Footlik of Footlik & Associates, Evanston, IL will present a review of *Warehouse Productivity Improvement*.

Visitors to Depo 86 will have crossover privileges to both the Spring National Plant Engineering and Maintenance Show and the Spring National Design Engineering Show which are running concurrently at McCormick Place.□

Indicators...

The three leading indices for the current month are a mixed bag with one slightly up, one slightly down and one absolutely flat. The *NIDA/SIDA Industrial Distribution Index* for the month of August showed an increase over July by a respectable 8.1 points on a national basis. Regionally, all sections of the country showed growth with the South gaining the most by posting a 12.9. Sales in the East were next in order of magnitude with a 9.4 increase followed by the Midwest and West up by 6.2 and 5.6 points respectively. Sales in all regions, were down slightly from the August '84 figures, however...SIDA's *Monthly Sales Trend Report* fell by a scant 1.19 in July from the June numbers with Area I (NC, VA, WV) showing the only growth by 4.25. The big decline was experienced in SIDA area III comprising AL, KY, MS, TN which fell by 11.84. Area II (FL, GA, SC, Puerto Rico) dropped by 2.00 and Area IV (AR, LA, OK, TX) retreated by 0.70. Year-to-date '85 compared to YTD '84 is up slightly by 0.82...ASMMA's *New Order Index* achieved the statistical distinction of producing precisely the same figures two months in a row for the first time in its history. It registered 125.5 in July, identical to the June number. Coincidence aside, with the exception of Aug. '84, the number has not been exceeded since 1981...The *Total Index* of the American Machine Tool Distributors Assn. (AMTDA) for July rose 4.1 points over June for a 6.3% gain. July '85 compared to July '84, however, shows a 4.8% decline...the National Assn. of Aluminum Distributors (NAAD) *Quick Pulse Index* of shipments for July fell to 98.5, down 9.7 points from the June figure of 108.2. Except for the 89.6 compiled in Dec. '84, the current figure is the lowest in 19 months.

REGIONAL REPORT

August sales fall to new low

For the first time since the recovery began in distribution (May '83), sales have skidded into the negative area, down 4% in August '85 compared to August '84. All of the regional sales figures were in the negative column.

The biggest losses were in the South Atlantic and West South Central regions, both off 10%. Both East North Central and Pacific were down 1%.

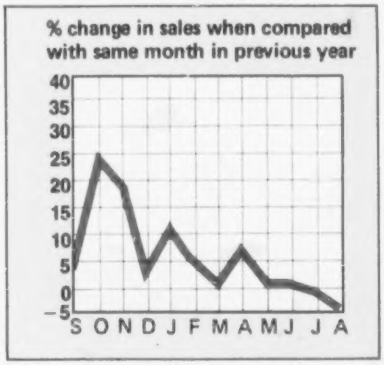
In area reporting, Georgia-Florida showed the steepest drop in sales, off 7%, with Massachusetts and Ohio down 3% and 2% respectively. In the East North Central areas, Wisconsin (up 6%) and Michigan (up 3%), bucked the trend. In the Pacific region, the Oregon-Washington area managed a 1% gain. The only other area not showing a negative figure in this category was Pennsylvania, which was 0 or even

Month-to-month sales figures, after turning negative last month, have returned almost unanimously to the plus side, indicating that sales are beginning to pick up once again, although it will take more than one month's postive figures to break the downtrend. In regional reporting for this category, South Atlantic was highest, up 10%; New England lowest, down 4%. In area reporting, Pennsylvania was up 12% with Wisconsin a close second, up 11%.

Cumulative figures for the first eight months of the year are slightly higher in August than July, 5% vs. 3%.☐

RECEIVABLES*	Aug. '85		vs. Aug. '84	
	Gen.	Spec	Gen.	Spec.
New England	49	50	48	45
Middle Atlantic	43	44	40	45
South Atlantic	37	37	33	36
East North Central	38	42	37	44
East South Central	39	—	38	—
West North Central	—	—	—	—
West South Central	—	—	—	—
Mountain	—	—	—	—
Pacific	38	43	39	39
National	41	43	39	42

* Average days outstanding



Sales turn negative in August...

SALES BY REGIONS (% change)	Aug.'85 vs. Jul.'85			Aug.'85 vs. Aug.'84			1st eight months'85 vs. 1st eight months'84		
	Gen.	Spec.	Both	Gen.	Spec.	Both	Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	−9	0	−4	−8	−2	−5	+2	+7	+5
Connecticut	−16	—	—	−14	—	—	−1	—	—
Massachusetts	−3	−1	−2	−2	−4	−3	+5	+6	+6
MIDDLE ATLANTIC: NY, NJ, PA	+5	+1	+3	0	−7	−4	+8	+6	+7
New York Metropolitan Area	—	—	—	—	—	—	—	—	—
Upstate New York	—	—	—	—	—	—	—	—	—
Pennsylvania	+9	+14	+12	+1	−1	0	+12	+3	+6
SOUTH ATLANTIC:DE, DC, MD, FL, GA, NC, SC, VA, WV	+11	+8	+10	−16	−4	−10	−2	+3	0
Georgia-Florida	+15	+5	+9	−14	−2	−7	+4	+3	+3
EAST NORTH-CENTRAL: OH, IN, IL, MI, WI	0	+4	+2	−4	+2	−1	+4	+13	+8
Indiana	—	—	—	—	—	—	—	—	—
Wisconsin	−2	+15	+11	+5	+7	+6	0	+19	+15
Chicago	—	—	—	—	—	—	—	—	—
Michigan	−7	+17	+4	−5	+13	+3	+6	+17	+11
Ohio	+4	−2	+1	−1	−4	−2	+8	+10	+9
EAST SOUTH CENTRAL:AL,MS, KY, TN	+25	—	—	+15	—	—	+16	—	—
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	—	—	—	—	—	—	—	—	—
WEST SOUTH CENTRAL: AK, LA,OK, TX	+5	0	+1	0	−11	−10	—	−11	—
Texas	—	—	—	—	—	—	—	—	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	—	—	—	—	—	—	—	—	—
PACIFIC: CA, OR, WA	+7	−2	+5	+1	−8	−1	+9	−1	+6
L.A.-San Diego	+9	—	—	+2	—	—	+10	—	—
Oregon-Washington	+5	0	+2	+3	−1	+1	+23	0	+10
U.S. TOTALS	+5	+3	+4	−4	−3	−4	+5	+5	+5

ID's QUARTERLY INFLATION INDEX

As we predicted the annualized rate of inflation for 1985, based on the second quarter, is lower than for the first quarter, when most of the firms initiate their annual increases for the year. The annualized rate is only 2.16%, slightly under the 2.24% actual rate for 1984. This rate for the *Silver/ID Inflation Index* is somewhat under the annual rate for NIDA/SIDA, and the *Producers Price Index* of industrial commodities, but note that all three indexes show an annual inflation rate of under 3%. For a comparison of eight wholesalers plus the *Consumer Price Index* see Table 1.

Table 2 shows the movement of individual items of the 33 product groups in the *Silver/ID Index*. Twenty-seven of the product groups rose for the second quarter of 1985, and the remaining six declined.☐

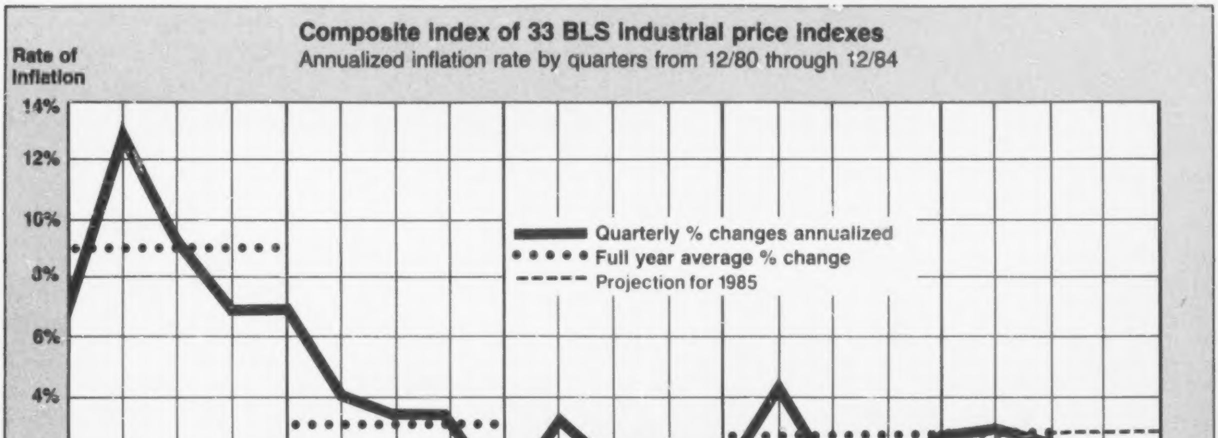
Compiled by Alan Silver Associates, Inc., Highland Park, NJ

For copies of Alan Silver's articles, write: Alan Silver & Associates, Inc., 168 Woodbridge Ave., Highland Park, NJ 08904 (201) 572-2300).

Table 1—Comparing inflation indexes

	*BLS inflation rates(%)			
	Current qtr	Year-to-date		
	6/85 vs 3/85 annualized	6/85 vs 12/84 annualized	6/85 vs 6/84	12/84 vs 12/83
Silver/ID index of 33 industrial products groups	2.16%	2.48%	2.14%	2.24%
NIDA/SIDA index of 10 industrial product groups	2.80%	4.18%	2.83%	2.47%
**PPI index of industrial commodities	2.70%	1.06%	0.28%	1.44%
Average of above indexes	2.55%	2.57%	1.75%	2.14%
**PPI index of finished goods (indl/agric)	1.92%	0.96%	0.44%	1.85%
Silver/Wholesaler index of 13 lines (plmbg/htng	4.84%	4.26%	3.51%	4.31%
Electrical Marketing index of 24 product groups	-1.24%	0.98%	0.62%	3.51%
***NAED inflation index: 16 product groups	3.24%	6.68%	6.13%	5.18%
Consumer Price Index	4.40%	4.32%	3.73%	3.95%

*Bureau of Labor Statistics (1967 = 100)
**Producers Price Index (formerly Wholesale Price Index)
***National Assn. of Electrical Distributors (non-BLS) (1973 = 100)
NOTE: All figures are based on Bls unadjusted indexes unless otherwise noted. For the first quarter of each year, the first two columns of figures will be alike. For all other quarters, the first column will be the last quarter annualized, and the second column 9 of figures will be current year-to-date annualized. Upcoming reports will follow the above format.



Composite index of 33 BLS industrial price indexes
Annualized inflation rate by quarters from 12/80 through 12/84

© 1985 by Alan Silver

ID'S QUARTERLY INFLATION INDEX

Table 2—ID quarterly inflation index (1967 = 100 except where otherwise indicated)

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11
Product category	**Current qtr. 6/85**	**Previous qtr. 3/85**	**% inflation current qtr.**	**Current qtr. annualized %**	**Year-to-date 6/85 vs 12/84 %**	**Year-to-date 6/85vs 12/84 annualized %**	**Last 12 months**	**4th qtr. 84**	**4th qtr. 83**	**Annual inflation 84 %**
[1]Industrial oil	374.0	372.7	0.35	1.40	0.35	0.70	0.35	372.7	371.7	0.27
Prepared pain	278.0	279.7	-0.61	-2.44	0.25	0.50	2.66	277.3	264.9	4.68
*Rubber belts & belting	355.5	354.0	0.42	1.68	3.19	6.38	0.91	344.5	334.1	3.11
Other misc. rubber products	300.0	303.0	-0.99	-3.96	-1.41	-2.82	1.39	304.3	298.2	2.05
Plastic construction products	162.7	159.4	2.07	8.28	-3.61	-7.22	-5.95	168.8	170.2	-0.82
Semi-finished steel products	372.8	372.3	0.13	0.52	-0.05	-0.10	0.32	373.0	370.0	0.81
Wire & cable	202.8	203.2	-0.20	-0.80	0.80	1.60	-0.29	201.2	201.5	-0.15
[3]Electric wire & cable	103.2	103.6	-0.39	-1.56	-0.39	-0.78	-0.39	103.6	103.2	0.39
[3]Building wire & cable	94.6	97.8	-3.27	-13.08	-3.27	6.54	-6.98	97.8	104.9	-6.70
Builders hardware	308.8	302.8	1.98	7.92	1.98	3.96	4.04	302.8	290.7	4.16
*Hand tools	373.8	365.5	2.27	9.08	2.27	4.54	4.71	365.5	351.0	4.13
*Misc. metal products	302.5	301.6	0.30	1.20	0.30	0.60	-2.64	301.6	289.3	4.25
[2]Industrial safety equipment	143.3	144.8	-1.04	-4.16	2.65	5.30	6.78	139.6	133.5	4.57
Bolts, nuts, screws & rivets (fasteners)	276.6	280.0	-1.21	-4.84	-1.21	-2.42	-1.98	280.0	271.7	3.05
*Power-driven hand tools	231.3	226.6	2.07	8.28	2.07	4.14	4.66	226.6	220.9	2.58
Welding machines & eq.	293.0	286.3	2.34	9.36	2.77	5.54	4.20	285.1	273.2	4.36
*Cutting tools & accessories	285.9	285.7	0.07	0.28	0.92	1.84	2.88	283.3	275.8	2.72
Precision measuring tools	263.3	261.6	0.65	2.60	3.30	6.60	3.95	254.9	244.4	4.30
*Abrasive products	317.2	311.5	1.83	7.32	2.95	5.90	2.19	308.1	305.2	0.75
Metal cutting machine tools	396.9	395.9	0.25	1.00	0.56	1.12	3.55	394.7	379.3	4.06
Metal forming machine tools	433.8	432.9	0.21	0.84	1.19	2.38	2.29	428.7	422.6	1.44
Pumps, compressors & eq.	356.1	355.8	0.08	0.32	1.11	2.22	1.92	352.2	346.3	1.70
Fluid power eq	263.6	263.0	0.23	0.92	0.69	1.38	1.89	261.8	254.3	2.95
*Industrial material handling eq.	294.9	294.0	0.31	1.24	0.92	1.84	2.15	292.2	286.5	1.95
*Mechanical power transmission eq.	339.7	335.3	1.31	5.24	2.69	5.38	4.91	330.8	320.4	3.25
[3]*Metal valves, (except fluid power)	104.9	104.3	0.58	2.32	2.04	4.08	2.84	102.8	100.1	2.70
[3]*Metal pipe fittings	110.2	109.2	0.92	3.68	1.10	2.20	4.36	109.0	103.3	5.52
Ball & roller bearings	353.7	347.3	1.84	7.36	2.67	5.34	4.68	344.5	333.2	3.39
[5]Plain bearings	100.8	100.6	0.20	0.80	0.60	1.20	—	262.2	260.0	0.85
Wiring devices	360.5	360.3	0.06	0.24	-0.41	-0.82	1.12	362.0	341.9	5.88
Integrating & Measuring Instruments	233.1	230.4	1.17	4.68	1.00	2.00	1.70	230.8	223.7	3.17
[4]Electric motors	108.6	108.5	0.09	0.36	3.13	6.26	4.32	105.3	100.4	4.88
[4]Generators & generator sets	106.8	103.1	3.59	14.36	3.89	7.78	5.01	102.8	100.7	2.09
*NIDA/SIDA composite	312.9	310.8	0.70	2.80	2.10	4.20	6.19	306.5	299.1	2.47
Silver/ID composite	301.0	299.4	0.54	2.15	1.09	2.57	2.05	297.3	290.8	2.24

*Included in NIDA/SIDA composite

[1] 12/73 = 100 [2] 6/78 = 100 [3] 12/82 = 100 [4] 6/83 = 100 [5*] 12/84 = 100

Copyright: Alan Silver & Associates

C8650-L

December 1985

Industrial Distribution

© TECHNICAL PUBLISHING

Hotline: TRENDS: 1986
High tech, service markets expand; suppliers condense, improve lines

Twenty Cents a Copy

Two Dollars a Year

MILL SUPPLIES

Vol. 1 No. 1

W. M. PATTISON

January 1911

62814 4067682 W35 4 24 S
JOHN P KENNEDY
CONGRESSIONAL INFORMATION
4520 EAST-WEST HWY STE 80
BETHESDA MD 20814-

W.M. Pattison Supply
Out of the past…into the future

Industrial Distribution

VOL. 74, NO. 12/74th yr. A TECHNICAL PUBLISHING PUBLICATION DECEMBER 1985

5
INDUSTRY NEWS

New product liability proposal exempts distributors from 'first tier' claims; Lyon Metal Products employees purchase company's assets; Call to Action; David Gutridge named exec. v.p. by Dayco Corp.; Indicators; NFPA 'PRO' nominations end Dec.31; Sandy named head of Ingersoll Pump Group.

41
HOTLINE

High-tech, service markets expand; suppliers improve lines

45
STRICTLY FOR SALESMEN

Keeping it clean, and legal

25 COVER STORY
PATTISON SUPPLY: OUT OF THE PAST...INTO THE FUTURE

PATTISON SUPPLY CO.

Survival and growth in a shrinking, ever-changing marketplace takes a rare combination of foresight, innovation, risk and commitment. Here's one general line distributor who has applied the formula and is headed for a banner year.

47
COMPUTER/ TELECOMMUNICATIONS UPDATE

Voice mail and electronic office functions combined in one-unit workstation; Low-cost software turns PC to datalogger

48
MARKETING/ OPERATIONS IDEAS

Giving workers the green light for picking warehouse orders; Safety grating helps eliminate costly slips; Annual encyclopedia is important resource; Order picking faster with new computer; Improving safety for mobile storage units

9 READER SERVICE CARD
16 MEETINGS
17 WASHINGTON REPORT
19 READERS WRITE
21 REGIONAL REPORT
23 LIKE IT OR NOT
52 WE WERE THERE
54 NEW PRODUCTS
55 READER SERVICE CARD
60 IN PRINT
62 APPOINTMENTS
64 CLASSIFIED ADVERTISING
64 ADVERTISERS' INDEX

Industrial Distribution, (USPS-889-860) is published monthly by Technical Publishing, a Division of Dun-Donnelley Publishing Corporation, a Company of the Dun & Bradstreet Corporation, John K. Abely, President. EXECUTIVE, EDITORIAL AND ADVERTISING OFFICES, 875 Third Ave., New York, NY 10022. (212) 605-9400. Second class postage paid at Barrington, IL 60010 and additional mailing office.

Postmaster: Send address changes to Industrial Distribution, Circulation Dept., P.O. Box 1063, Barrington, IL 60010.

Microfilm or reproductions of issues or articles are available. Write Xerox University Microfilms, Ann Arbor, Mi 48106.

warehouses in 11 eastern and southern states which supply parts to companies within a 13 state area. J. Michael Moore, Invetech's president and CEO said that the new company will operate as a wholly-owned subsidiary.

According to Invetech, the purchase of American Bearing makes it one of the top five industrial distributors in the U.S.A., with a workforce of more than 800.

The company's other subsidiaries include: Detroit Ball Bearing; Moore Bearing; Detroit Bearing and Supply International; En-Pak, Inc.; and Urgent Industrial Supply, a joint venture company headquartered in Windsor, Ontario, Canada.☐

WANTED
Distributors to handle STANDARD METRIC SIZE Seals and packings

- **You have a long line** of shapes and sizes. Included are: SIMMERING® radial shaft seals, O rings, U packings, V packings, rod wipers plus many more seals and packings.
- **You enjoy top quality products** from SIMRIT the world's largest manufacturer of quality Standard Metric Size seals and packings.
- **Your selling efforts will be backed** by a series of publication ads reaching your customers and prospects.

Call Ed Babcock today
(312) 298-6750

SIMRIT
Simrit Corporation
3190 Kennicott Avenue
Arlington Heights, Illinois 60004
(312) 394-2275

Freudenberg
Simrit Corporation –
A Company of the
Freudenberg-Group

Indicators...

Continuing its inconclusive pattern of recent months, two of the three key indices of distribution activity dropped while the third increased. The NIDA/SIDA *Industrial Distribution Index* fell by seven points in September, from 151.7 to 144.7, reflecting weakness in all four of its regions. The East retreated by 7.3 points, the Midwest by 6.5 points, the West by 6.3 points and the South by 8.4 . . .The August SIDA *Monthly Sales Trend Report*, on the other hand, showed surprising strength over its July figures, posting an average gain of 4.23 overall. Regionally, increases varied from a low of .12 in Area I (NC, VA,WV) to a spectacular 15.34 in Area III which comprises AL, KY, MS, and TN. Area II (FL, GA, SC, and Puerto Rico) advanced by 1.35 while SIDA Area IV (AR, LA, OK, TX) expanded its business 7.65 points. Despite the growth, however, year-to-date '85 versus YTD '84 shows a loss of 1.64, and August '85 compared to August '84 decreased by 7.56 . . .ASMMA's *New Order Index* for August declined by 5.2 points for a loss of 4.1% from July. The 120.3 figure, while lower than the three previous months, is higher than the first four months of the year when the index did not rise above the 118's . . .The American Machine Tool Distributors' Association (AMTDA) *New Orders Index* fell a disturbing 15% in August to 59.2 from the July level of 69.4. The index is also down from August '84 by 19% . . .On the optimistic side, the National Welding Supply Association *Welding Supply Index* for August rose 10.9 points over July closing at 202.1. This compares with a rating of 179.9 in August '84 . . .The National Association of Aluminum Distributors reports that shipments rose by 4.6 points in August.

REGIONAL REPORT

September sales remain down

National regional sales figures for September continued soft, with the U.S. total remaining down 4% (see graph) compared to the same month last year.

Although three regions reported positive figures, Middle Atlantic (up 4%), West North Central (up 6%), and Pacific (up 2%), four regions were in the negative column with West South Central and East North Central down a sharp 16% and 10% respectively. Area reporting was little better with the exception of Wisconsin which came in with a gain of 14%.

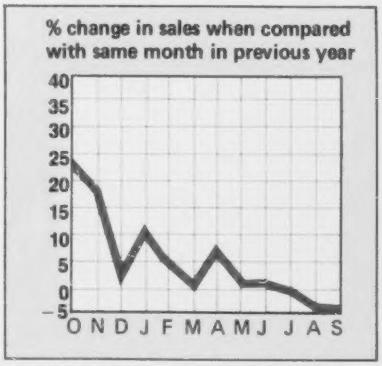
In month-to-month figures, all of the regions were down except Pacific which registered a slim 2% gain. The next best figure was 0 or even by Middle Atlantic. All of the areas recorded negatives in this category, with West South Central again showing the poorest figure, off 11%. The U.S. total was down 3% in September, after having been up 4% in August.

Cumulative figures barely hung on to a 2% gain, the first 9 months of '85 compared to the first 9 months of '84. The statistics here for both regions and areas were mixed. This is the slowest indicator to record a trend, and it has been steadily declining since mid-year.

Receivables have not changed much in year-to-year figures, although here too there has been a deterioriation since mid-year, when figures broke briefly into the high 30-day levels.☐

RECEIVABLES*	Sept. '85		vs. Sept. '84	
	Gen.	Spec	Gen.	Spec.
New England	45	49	42	49
Middle Atlantic	48	48	46	49
South Atlantic	37	39	36	39
East North Central	42	39	41	39
East South Central	40	—	40	—
West North Central	—	40	—	44
West South Central	—	39	—	41
Mountain	—	—	—	—
Pacific	38	41	43	41
National	42	42	41	43

* Average days outstanding


% change in sales when compared with same month in previous year

Sales unchanged in September.

SALES BY REGIONS (% change)	Sep '85 vs. Aug.'85			Sep '85 vs. Sep '84			1st 9 months'85 vs. 1st 9 months'84		
	Gen.	Spec.	Both	Gen.	Spec.	Both	Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	+6	−7	−2	0	−3	−2	0	+6	+3
Connecticut	−5	−8	−6	+3	−9	−1	−1	+7	+2
Massachusetts	—	—	—	—	—	—	—	—	—
MIDDLE ATLANTIC: NY, NJ, PA	−2	+2	0	−8	+7	+4	+2	+4	+4
New York Metropolitan Area	—	—	—	—	—	—	—	—	—
Upstate New York	—	+29	—	—	+16	—	—	+3	—
Pennsylvania	−2	−5	−4	−15	+10	+4	−14	+2	−1
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC, SC, VA, WV	−3	−4	−3	−7	+2	−2	−2	+3	0
Georgia-Florida	−9	−3	−5	−14	+7	−2	+3	+3	+3
EAST NORTH-CENTRAL: OH, IN, IL, MI, WI	−2	−4	−3	−21	+6	−10	+1	+5	+3
Indiana	—	—	—	—	—	—	—	—	—
Wisconsin	−3	−3	−3	+13	+14	+14	+2	+8	+6
Chicago	—	—	—	—	—	—	—	—	—
Michigan	+1	—	—	+4	—	—	+2	—	—
Ohio	−5	−5	−5	+4	−8	−2	+4	+3	+3
EAST SOUTH CENTRAL: AL, MS, KY, TN	−7	—	—	+12	—	—	+16	—	—
WEST NORTH CENTRAL: MN. ND, SD, IA, NE, KS, MO	−1	−7	−6	−7	+11	+6	−6	+1	−1
WEST SOUTH CENTRAL: AK, LA, OK, TX	+9	−15	−11	−2	−19	−16	−15	−12	−12
Texas	—	−16	—	—	−14	—	—	−12	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	—	—	—	—	—	—	—	—	—
PACIFIC: CA, OR, WA	+1	+3	+2	+2	0	+2	+10	−6	+5
L.A.-San Diego	—	—	—	—	—	—	—	—	—
Oregon-Washington	—	+9	—	—	+10	—	—	−6	—
U.S. TOTALS	−1	−4	−3	−8	+1	−4	+2	+1	+2

HOTLINE

High-tech, service markets expand; suppliers condense, improve lines

In a survey of distributors in each of 48 states, ID found a 'wait and see' attitude in the face of changing markets, prices and suppliers.

NEW YORK—Distributors around the nation are taking a cautious stance toward business prospects in 1986 as they see traditional markets eroding to be replaced by new ones, manufacturers divesting divisions and prices caught in a limbo of uncertainty.

In a nationwide survey of distributors located in all of the 48 contiguous states, ***ID*** also found a high degree of trepidation concerning general economic conditions for 1986 in every area of the country but one.

In response to the question *Do you expect your business next year to be worse, about the same, or better than it was this year?*, 54% of distributors surveyed reported that they expect their business to remain at 1985 levels next year (see table). However, by eliminating the one anomaly, the Midwest, from the survey, the percentage anticipating essentially stagnant business next year would rise to 62%.

On the other hand, expectations of improved business next year was indicated by 43% of all distributors surveyed. By eliminating the atypical Midwest, the number drops to 35%.

According to ***ID's*** survey, despite the severe problems experienced by heavy industry in the Midwest–which some have dubbed the *rust belt*–and the weakness of agriculture, a surprisingly large majority of Midwestern distributors are expecting marked improvement in their business next year.

Fully 87% of the Midwestern distributors sampled said that they expect business to be better in 1986 than 1985, while only 12% said they expect it to remain level. Significantly, of those distributors nationwide expecting to see a business improvement in 1986, Midwestern distributors anticipated the greatest increase, 15%, compared to a low of 6% in the Northeast and an average of 10% for all regions.

Harley R. Ireland, III, president of Industrial Supply Co., a general line distributor in Terre Haute, IA, says that business in his region has rebounded from the pit of the 1981-1982 recession.

"In our area, we've pretty much come back from the slump and we're now doing about as well as we were before the recession," notes Ireland. "Although the surrounding countryside is primarily agricultural, our business in Terre Haute is pretty much diversified. Although we've been trying to cut back on our inventory, it's hard to do for a general line company."

Reflecting the optimistic prognosis by other Midwest distributors, Ireland says, "We expect to see a moderate increase next year and if the dollar continues to drop, it would help our agricultural exports which could also cause some overall improvement."

From Deer Park, TX, Steven A. Humphrey, president of Humphrey Supply Co. reports, "Our business has been slow in '85 and we've had a bad recession for three years primarily because of oil. But that could change overnight. Seems like the oil business always goes in cycles and this is the worst it's ever been.

"There's no indication that anything is going to change, but I doubt that Houston is going to become a ghost town and I doubt that all of the chemical industry is going to shut down."

Supporting 40% of the distributors in the Far West who told ***ID*** that they expect business to improve in 1986, Loring R. Jones, Jr., president of Jones Industrial Hardware, Long Beach, CA, looks forward to some movement up-

Do you expect your business in 1986 to be worse, about the same or better than it was in 1985? If you think it will be better, would you estimate a percentage increase?

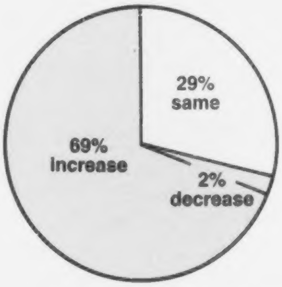
	Area of country							
	North East	South East	Mid Atlantic	Mid West	Great Plains	Mountain	Far West	TOTAL
Expect business to be worse	0%	0%	0%	0%	16%	0%	0%	2%
Expect business to be same	57%	70%	57%	12%	66%	60%	60%	54%
Expect business to be better	42%	30%	42%	87%	16%	40%	40%	43%
Percent better	6%	7%	11%	15%	10%	8%	10%	10%

Note: Because of rounding figures, total may be less than 100%

Source: Industrial Distribution

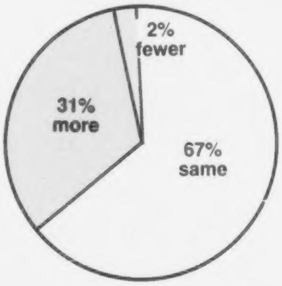
HOTLINE...

ward in 1986. "Our gross sales are up over '84 and we're predicting a 10% increase over '85 next year. There's a lot of business out here if you can get it. But there's a lot of competition, too. If I see any price increase for 86, it will be very small. I've already got reports of companies raising prices by the middle of next summer, but at a maximum of 5% if they can get away with it."

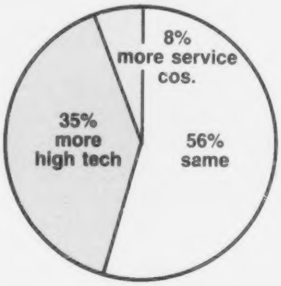


Do you expect to see suppliers' prices increase, remain the same, or decrease?

Commenting on the softness of the so-called *high tech* area, once touted as the salvation of American industry, Jones says "We get involved in high tech to a certain extent, but I don't know of anything new coming up in the area. They still seem to be laying off here at the computer companies. Some of the companies that we worked with ten years ago are gone now."



Do you expect to handle more imports, about the same proportion of imports, or fewer imports?



Do you expect your customer mix to remain the same? Change to more high tech? More service companies?

Speaking from the heart of the Southeast, which indicated the highest percentage (70%) of any geographic region expecting business to remain flat in 1986, is Clyde V. Orr, president of Orr Industrial Specialties Co. located in Sheffield, AL.

"We're making a profit and we're hanging in there and we're proud of that. Some areas are experiencing good growth, but we feel that business will really not be getting all that better. We

CYLINDERS
FOR ALL INDUSTRIAL APPLICATIONS

BROADEST LINE OF CYLINDERS IN THE INDUSTRY. Push. Pull. Press. Clamp. The leader in Hydraulic innovations has more cylinder variety for you. And that means you get the right hydraulic cylinder for each industrial application. ENERPAC offers More Power To You with Single or Double-Acting, Flat-Jac, Low Height and Hollow Cylinders. Threaded collars, internal plunger threads and base mounting holes provide versatility.

The broad ENERPAC line . . . plus the largest distribution network in the industry means the right product for your application with in-stock availability.

Hydraulic cylinders . . . For nearly 50 years, ENERPAC has been showing industry the way.

ENERPAC Congratulates
PATTISON SUPPLY COMPANY IN OHIO
DISTRIBUTOR OF THE YEAR

STROKES
1/4" to 48"

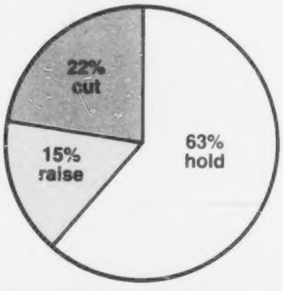
CAPACITIES
2 to 500 Tons
0 - 10,000 psi.

COLLAPSED HEIGHTS
1-9/32" to 64-3/4"

ENERPAC®
APPLIED POWER

see signs that suppliers are being hurt terrifically in a national way which is of concern to us. In fact, there are a number of suppliers who are letting salesmen go. And when companies lay off salespeople, it reminds you of the recession again.

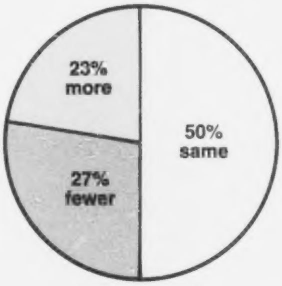
"So what I'm saying is that we're holding on and our business will be about the same with very little improvement. But I think we're at the bottom of the decline."



Do you expect to increase your inventory levels, hold them at current levels, or decrease inventory?

Politically, the state of Maine has traditionally represented the majority point of view and the Northeast's 57% *same business, 42% better business* opinion of 1986 in response to the poll, closely matches the national average. Bert Andrews, vice president of Holmes Distributors, Inc. in Portland, ME, explains the reason for the Northeast's lack of enthusiasm.

"We're slightly ahead of '84 but not much. We sell to paper companies; International Paper is the big one and paper has been our traditional base and it's been soft lately–terrible! In southern New Hampshire there are machine tool manufacturers and we do business with them and we have some computer industry that spills over from Massachusetts, but that's also very soft. In 1986, I see the economy staying about the same. A softer dollar would help us from the point of view of paper prices. If the prices on imports go up, it would give a shot in the arm to domestic manufacturers."



Do you expect to deal with more suppliers, the same number of suppliers, or fewer suppliers?

Although the problems afflicting the industrial distribution business in 1986 are many, ranging from the continuing weakness of oil and agriculture to import penetration and a cooling computer industry, distributors nevertheless are approaching the year with their fingers crossed and a prayer on their lips.

Doug Harper

When You Call Us...

...We Get Rolling!

It takes more than just a premier quality caster and 45,000 different models of casters to keep your business rolling along, and we never forget that. To be a successful Darnell Distributor, you need super service, plus other sales support as well. When you call us, we back you up with [illegible]

- Call us Toll Free!
- Prompt delivery
- Free, attractive easy-reference literature
- Distributor product training and stocking incentive programs
- Marketing assistance
- Competitive pricing on volume orders [illegible]
- We pay for yellow page advertising for our stocking distributors
- [illegible] national trade journal advertising campaign
- Custom design service for special customer applications
- 40 plus years in caster engineering and manufacturing

When you need casters you can depend on, CALL...
DARNELL — A GIANT IN THE CASTER INDUSTRY

DARNELL
CORPORATION Ltd.

Write in No. 27

Industrial Distribution

© TECHNICAL PUBLISHING

January 1986

C8650-6

Hotline:
Products in short supply encouraging 'world sourcing'

Distribution: 1986
New priorities; new opportunities

ADD SALESPEOPLE
TELE-MARKETING
SPECIALIZE
HIGH TECH
EXPAND

62114 4067682 W35 3 954
JOHN P KENNEDY M
CONGRESSIONAL INFORMATION
4520 EAST-WEST HWY STE 80
BETHESDA MD 20814-

Also: SIDA Convention Preview

PRODUCT SHOWCASE
Power Tools & Accessories
(pull-out section)

Abrasives Review

Industrial Distribution

VOL. 75, NO. 1/75th yr. A TECHNICAL PUBLISHING PUBLICATION JANUARY 1986

9
INDUSTRY NEWS

Srong U.S. dollar seen as villain in study of trade and manufacturing; Product certification program introduced; Bored owners sell businesses; AEG moves headquarters to Chicago; Leasing a new marketing tool says AMTDA; Recent aquisitions; Ashenden named district manager; Indicators; Call to Action.

47
HOTLINE

Products in short supply encouraging 'world sourcing'

49
'Profit with change' for southern distributors

SIDA's 84th annual convention

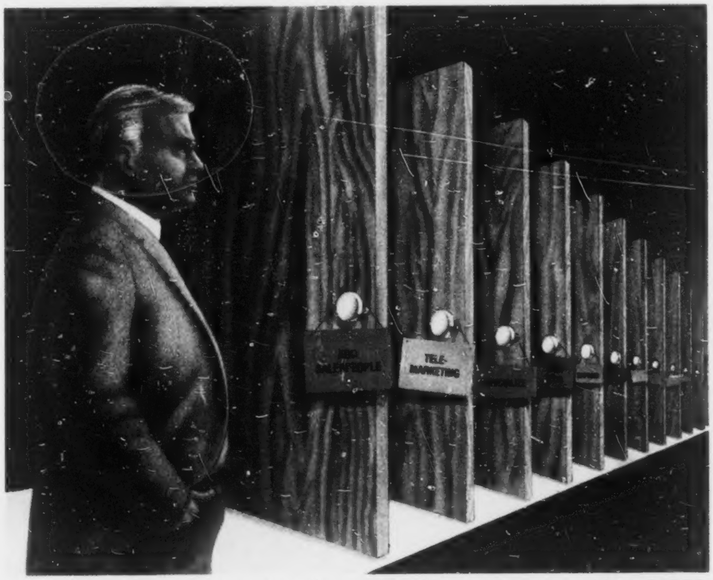
17 READER SERVICE CARD
21 MEETINGS
23 WASHINGTON REPORT
26 READERS WRITE
29 REGIONAL REPORT
31 LIKE IT OR NOT
173 WE WERE THERE
175 NEW PRODUCTS
185 IN PRINT
188 APPOINTMENTS
194 CLASSIFIED ADVERTISING
196 ADVERTISERS' INDEX

Industrial Distribution, (USPS-889-860) is published monthly by Technical Publishing, a Division of Dun-Donnelley Publishing Corporation, a Company of the Dun & Bradstreet Corporation, John K. Abely, President. EXECUTIVE, EDITORIAL AND ADVERTISING OFFICES, 875 Third Ave., New York, NY 10022. (212) 605-9400. Second class postage paid at Barrington, IL 60010 and additional mailing office.

Postmaster: Send address changes to Industrial Distribution, Circulation Dept., P.O. Box 1063, Barrington, IL 60010.

Microfilm or reproductions of issues or articles are available. Write Xerox University Microfilms, Ann Arbor, MI 48106.

35 COVER STORY
DISTRIBUTION 1986: NEW PRIORITIES; NEW OPPORTUNITIES



Experts call on greater urgency in acting on priorities and opportunities of 1986.

65
STRICTLY FOR SALESMEN

Fear of phoning

Distributor Product Showcase

P1
PORTABLE POWER TOOLS AND ACCESSORIES SHOWCASE

117
COMPUTER UPDATE

125
ABRASIVES REVIEW

143
FOCUS ON SERVICES

Financial Resources

161
MARKETING/ OPERATIONS IDEAS

Business in the black with coating tint system; Business relocation: Where to turn next; Slick promotion backed with cash; When should you call a consultant?; Cut storage with mobile system; Picture this: higher product sales; New training videos at preview prices; Train from tape: rent or buy.

JUSTRITE®
ANSWERS
TO
BURNING
QUESTIONS

Q. How can I Sell More Safety Cans?

A. Promote Justrite!

1. Sell the best—Best product quality, Best distributor support, Best margins.
2. Be an expert—or have one with you, in person, in print or on film. Justrite delivers technical expertise that's tops in industry.
3. Pinpoint the need—SCAN your customer's flammable liquids—a simple survey that tells him, and you, exactly what he needs to be safe.

Write today to learn more about Justrite's super support program for distributors.

Justrite Manufacturing Company 312/298-9250
2454 Dempster Street Des Plaines, IL 60016

Write in No. 12

INDUSTRY NEWS...

[*continued from page 12*]

grams as principally conditional sales contracts, 65% operating leases and 67% tax-oriented fair market value leasing.

Respondents to the study claimed that major advantages for lessees are:

- Cash flow—85%
- Tax considerations—53%
- Off balance sheet financing—45%
- One-hundred percent financing—34%
- Better asset utilization—20%
- A hedge against technological obsolescence—18%

Although 95% of the respondents indicated that they anticipate using leasing within the next two years, nearly 63% expect the loss of investment tax credit to have a significant impact on their marketing efforts, 32% reported it would have some effect and 4% expect litlittle effect.☐

Ashenden named district manager

NEW YORK—Daniel E. Ashenden has been named ***ID***'s district manager. In his new position he has advertising responsibilities for the states of IA, NB, KS, MO and portions of IL. Employed by ***ID***'s parent company, Technical Publishing, in January of 1985 as a district manager on *Contractor* magazine, Ashenden will also continue in that capacity.

Ashenden

A graduate of Michigan's Northwood Institute with a B.A. in Business administration, he lives in Chicago.☐

Indicators . . .

Of the three major indices, one registered an inconsequential gain and two showed minor losses in a continuation of the inconclusive patterns of recent months. The NIDA/SIDA *Industrial Distribution Index* rose nationally from 143.4 in September to 146.8 in October. Regionally, the East, Midwest and West showed small gains in October of 2.9, 5.4 and 5.8, respectively, while the South retreated by 2.1 points. The current figure is just 0.1 higher than its October '84 counterpart...SIDA's *Monthly Sales Trend Report* declined by 3.21 points in September reflecting weakness throughout three of its four regions. Area I (NC, VA, WV) lost 6.59, Area III (AL, KY, MS, TN), the largest loser, fell 10.18, Area IV (AR, LA, OK, TX) dropped 3.85. The one SIDA area to increase its share, Area II (FL, GA, SC, Puerto Rico), rose by 2.18. The essentially flat figure is just 0.63 above September '84 and year-to-date '85 shows a 0.73 improvement over year-to-date '84...ASMMA's *New Order Index* for September fell 0.8 points to 119.5 from August, a percentage decline of 0.7%. While significantly lower than the two highs of 125.5 registered earlier in the year and the 121.0 reached in September '84, the current figure exceeds every number prior to January of 1984...The American Machine Tool Distributors' Assn. (AMTDA) *Order Index* rose a dramatic 38.3% in September over August, climbing to 81.9. The figure is also a healthy 25.0% higher than the September '84 figure of 65.5...The National Welding Supply Assn. (NWSA) *Welding Supply Index* increased 8.4 points in October to 211.6. This compares with 196.6 in October '84 and 15.1% improvement in year-to-date '85 versus YTD '84.

REGIONAL REPORT

October sales pull even

A slight improvement in national sales figures has October '85 at 0 or even compared with October '84. This compares with a negative 4% recorded in both August and September yearly sales comparisons (see graph).

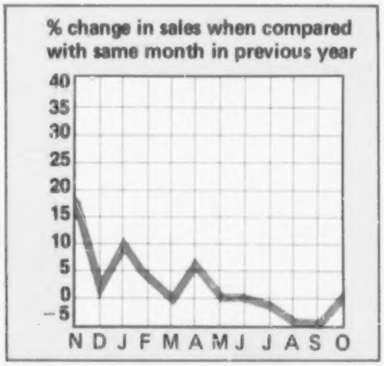
Of the six regions reporting, two were off (South Atlantic, down 1%; and West North Central, down 12%), while four were in plus territority (New England, up 1%; Middle Atlantic, up 1%; East North Central, up 5%; and Pacific, up 1%). Taken at face value, these sales statistics for distribution do not seem impressive; however, the month-to-month statistics, a more accurate barometer of sales trends, show impressive gains.

All regions and areas reporting figures for October '85 vs. September '85 indicated healthy monthly sales gains, most in double figures. The best region was New England, up 18%; the best area, Michigan, up 26%. The weakest region was West North Central, up 8%; the weakest area, Wisconsin, up 7%. The U.S. Total stands at a positive 13%, the highest it's been in several months.

In cumulative reporting, the first 10 months of '85 vs. the first 10 months of '84 is up 2%, the same as last month. All of the figures in this grouping are in single digits indicating that for many distributors, 1985 shows no great change either way compared to 1984.☐

RECEIVABLES*	Oct. '85		vs. Oct. '84	
	Gen.	Spec	Gen.	Spec.
New England	48	45	46	45
Middle Atlantic	46	42	46	45
South Atlantic	35	34	36	33
East North Central	38	41	39	41
East South Central	39	—	37	—
West North Central	—	39	—	39
West South Central	—	42	—	40
Mountain	—	—	—	—
Pacific	41	41	42	41
National	41	41	41	41

* Average days outstanding



Slight gains in October sales . . .

SALES BY REGIONS (% change)	Oct.'85 vs. Sep.'85			Oct.'85 vs. Oct.'84			1st ten months'85 vs. 1st ten months'84		
	Gen.	Spec.	Both	Gen.	Spec.	Both	Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	+13	+22	+18	0	+1	+1	+1	+5	+3
Connecticut	—	—	—	—	—	—	—	—	—
Massachusetts	+17	—	—	−1	—	—	+3	—	—
MIDDLE ATLANTIC: NY, NJ, PA	+24	+14	+16	0	+2	+1	+5	+2	+3
New York Metropolitan Area	—	—	—	—	—	—	—	—	—
Upstate New York	+23	+7	+18	−9	+3	−2	+15	−11	+7
Pennsylvania	+16	+16	+16	−8	−4	−5	−13	0	−3
SOUTH ATLANTIC:DE, DC, MD, FL, GA, NC, SC, VA, WV	+18	+10	+13	−1	−1	−1	−4	+2	−1
Georgia-Fiorida	—	+6	—	—	−3	—	—	+3	—
EAST NORTH-CENTRAL: OH, IN, IL, MI, WI	+12	+18	+14	+1	+12	+5	+2	+6	+4
Indiana	—	—	—	—	—	—	—	—	—
Wisconsin	+7	+7	+7	+2	−2	−1	+2	+6	+5
Chicago	—	—	—	—	—	—	—	—	—
Michigan	+18	+34	+26	+13	—	—	+3	+16	+9
Ohio	+13	—	—	0	—	—	+5	—	—
EAST SOUTH CENTRAL:AL,MS, KY, TN	0	—	—	+3	—	—	+14	—	—
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	+29	+2	+8	−11	−12	−12	−7	−1	−2
WEST SOUTH CENTRAL: AK, LA,OK, TX	—	+11	—	—	−14	—	—	−4	—
Texas	—	+19	—	—	−9	—	—	−4	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	—	—	—	—	—	—	—	—	—
PACIFIC: CA, OR, WA	+12	+5	+10	+5	−12	+1	+8	−4	+5
L.A.-San Diego	—	—	—	—	—	—	—	—	—
Oregon-Washington	—	+5	—	—	−8	—	—	−2	—
U.S. TOTALS	+13	+12	+13	+1	−1	0	+3	+2	+2

Distribution 1986: New priorities; new opportunities

With local, national and worldwide trade trends now impinging more strongly on the way distributors do business, industry experts call for greater urgency in acting on the priorities and opportunities of 1986

For several years now, under the low heat of a worldwide recession and subsequent fits and starts of recovery, the distribution industry has been simmering away. At the same time, a number of trends, some outside the influence of distributors, some of the industry's own making, have been building pressure, both promising and threatening.

While distributors have been fairly effective at cutting costs and improving productivity through streamlining inventory, trimming labor costs, computerizing the bookkeeping and warehousing operations, all during a time when low inflation rates have prevented them from increasing prices, outside factors other than inflationary pressures are slowly but gradually dislocating traditional distributor operations and policies and changing the face of the industry, from its blue and white collar operations to how it buys and sells (see **Like It or Not** in this issue).

Day by day, week by week, newspapers and business magazines reveal the new or accelerating pressures on the industrial distributor: major manufacturers, suppliers to the distribution business, are divesting, acquiring, merging and consolidating their divisions and product lines at an alarming rate. Imports are becoming more firmly entrenched not only in inventories, but in the minds of customers looking for a way to cut their own costs. Mechanization and automation, are taking place in just about every industrial facility that plans to stay in business beyond 1986.

By **Milt Ellenbogen**
Managing Editor
and **Paul Frichtl**
Associate Editor

It now appears that the distributor no longer has the choice of waiting to see what happens, to see how his contemporaries are going to respond. Though the choice is difficult for the typical self-made, owner-manager industrial distributor, he is just beginning to realize that his remaining choice, as echoed by distributors and top industry experts polled by INDUSTRIAL DISTRIBUTION, is to depend less on his own instincts and turn to his customers for direction.

"Because of all the changes, the dynamics, the broad trend developing is going to be for distributors to act more like an extension of their customers and less like extensions of their suppliers' marketing departments," says Dan Ruple, president of Metropolitan Supply, Los Angeles, speaking, he says, strictly from "gut feeling and observation."

High-tech entry

Probably the single biggest market opportunity for distributors is certainly not new, but perhaps more immediate than it has been in recent years, is the still somewhat indefinable high-tech market. According to Ronald Cota, president of Cota & Associates, Fairfield, CT, marketing consultants, "If a distributor is going to do it ever, he had better start now. The longer he delays, the more expensive it's going to be to get in and to make a successful business of it . . . He had better be doing his homework so that he is not the last in line to meet his customers' needs."

On a broad scale, those customer needs are well defined. At the 1985 Power Transmission Distributors Assn. annual convention, Edward Reid of Industrial Distribution Consultants, Simsbury, CT, told distributors that while traditional smokestack industries experienced zero growth in the 12 years to 1984, computer equipment shipments rose 18% per year and electrical-electronics grew 8% a year. In robotics, the number of installations has grown from about 1000 in 1970 to 5000 in 1980 to between 25,000 and 30,000 in 1985. Machine peripherals such as programmable controllers and the growing array of automatic, closed-loop control elements are expected to grow from a $20 million industry two years ago to about $180 million by 1987.

Getting a foot into factory automation, according to Reid, can be done in several ways. The easiest and least expensive depends on the customer's needs. If a plant is into miniaturization, then the distributor might stock specialty tools like tiny screwdrivers, solders and adhesives, precision workholders, inspection devices and other items related to existing stock, but more specific to the high-tech application.

The next level of entry may be carrying and servicing certain components and possibly even designing systems for factory automation. The high-tech inventory might include some forms of instrumentation, fluid drives and components, and programmable controllers, to name a few. Ruple sees it as "going up the ladder a step," that is, taking products that complement and interface with Metropolitan Supply's pneumatics and hydraulics systems and selling them to the same customers. However, he warns, it requires a greater, longer-term outlay in retraining sales and service people, adding new lines, and more intensive marketing. Also, the risks are greater with some products, particularly those related to computers and electronics, becoming obsolete in as little as six months and prices eroding because of oversupply.

Reid sees the greatest growth potential in distributors carrying complete systems, gathering the products of many manufacturers into an intensive value-added operation that includes design, panel and modification shops that enable the distributor to tailor-make automation sub-systems. "The factory automation distributor won't look like any distributor we have out there today," Reid says. Such conversions would require even greater investment in inventory and training, and greater supplier-distributor cooperation.

Supplier-distributor relationships may be critical link in the more advanced high-tech entries. Cota points to the many manufacturers who use distributors as their channel of choice, while others hesitate to use the industrial distributor because they perceive a greater need for technical expertise.

Such discriminatory practices work both ways, however, since a distributor must consider the current strength of a supplier's position in the marketplace and his commitment to the future.

Concludes Cota, "the change isn't going to stop, and if a distributor's waiting for things to settle down before he jumps in, it's going to be too late.

Diminishing sources

According to an informal ***ID*** survey of distributors, there appears to be little concern over the divestiture and merger activities of suppliers. So far, they say, it has affected few of the companies they deal with. And, while they have good relations with existing suppliers,

[*continued on page 38*]

Near term outlook bright for most distribution markets

In spite of the many problems distributors face going into 1986, positive factors such as the continuing low inflation rate, the still expanding economy, and the falling dollar measured against other currencies have led forecasters to predict slow but steady growth for most areas of manufacturing, which bodes well for distribution. As to be expected, certain areas will perform outstandingly well while others will be disappointing. The unknown factor, renewed off-shore demand for American-made products coupled with a corresponding decline in the appeal for foreign-made goods, could be the difference between a passable year and an outstanding one. The negative possibilities, out-of-control inflation and a meaningful rise in interest rates, are not taken as serious possibilities by most analysts in near-term forecasting.

Material handling industry leads the way

With the stress on cost savings through greater productivity, such items as conveyors and automated storage and retrieval systems have been foremost in demand by managers of factories and distribution centers. Other items such as hoists and cranes, and programmable controllers on the high tech side are also very much in demand (see Table 1).

A major factor contributing to the high projected growth rate beyond 1985 is the expected increase in spending for capital equipment which has been relatively slow in coming considering the elapsed time since the last recession. Plans for constructing new factories and warehouses increase the demand for automated material handling equipment, and low interest rates plus the prospect of increased business, both domestic and offshore, enhance the market for this new construction.

The slowest growing segment of the material handling industry is the industrial truck and tractor market which has been severely hurt by price competition from non-U.S. manufacturers. This too could change if the dollar continues to weaken in '86.

Cyclical factors considered

Business conditions for commodity items are among the most difficult to predict because cyclical factors can, and most often do, play major roles in these types of businesses. A booming demand for electronics components was busted when the computer industry fell into a prolonged slump which still continues. The fastener industry, in which many distributors cater to their customers by stocking any of a number of different types and styles of nuts and bolts and associated hardware is also precarious, indicative of its cyclical nature.

According to Frost & Sullivan, a New York-based market research firm, the pattern for the fastener industry is a sudden, sharp drop in revenues which lasts for a year or two, followed by a fairly rapid recovery, then a leveling off of business followed by another abrupt decline. The last sharp drop occurred in 1982 when sales declined almost 25%, before the 1983 recovery.

From 1984 through 1989, the total consumption annual growth rate (see Table 2) is estimated at 6%, with the aircraft/aerospace industry expected to excel at 10.2%. These figures are higher than normal because of the sharp 1982 slump. If 1979 were the base year, for example, the annual growth rate for total consumption would be 2.2%.

In dollar figures, the largest projection to 1989 is in the area of bolts, with the market topping $1 billion. The heaviest demand is expected to be in mine roof bolts followed by hex and squared bolts, with 10% growth estimated. The weakest projection (around 3%) is for round bolts. Other projected strong sellers include socket head screws and other large screws which include specialty items used by manufacturers of heavy machinery. Poor prospective domestic markets are those that use the types of fasteners that have been taken over by off-shore manufacturers, and include bent bolts for construction and public works in which no growth is predicted, and nuts, in which imports of large nuts now exceed 90% of domestic production by weight. Specialty fasteners have their own niche in the marketplace, but users are indicating a desire to replace specialty items with standard parts wherever possible to reduce inventory requirements and simplify assemblies.

Hydraulics future rosy

The hydraulics industry, severely hit in 1982, and down again in '83, has turned around dramatically and offers one of the best prospects among industrial products sold through distribution for at least the rest of this decade. According to statistics and reports gathered by Business Trend Analysts, a New York-based market research firm, production and spending for new plants and equipment were up for every end-use sector (even farm machinery), and the estimate continues to look rosy (see Table 3).

One of the main reasons for the turnaround in this industry is the result of the combination of electronic control devices and hydraulics permitting the use of microprocessors and thus a new generation of valves and pumps, enabling maximum response and higher efficiencies for a variety of systems.

Hydraulic filters and parts for pumps and motors, and hydraulic and pneumatic actuators, are all expected to do well in meeting heavy demand.

Between 1984 and 1994 domestic manufacturers' sales of hydraulic equipment is expected to grow at a compounded rate of 7.8% with sales up at approximately $8.44 billion by the end of the period.

Slow growth projected for industrial pipe/fittings

Restrained plant construction next year and perhaps into 1987 is the major reason for the low forecast of a cumulative average rate of 1.4% (from 1984 to 1989) for industrial pipe and fittings (see Table 4). This forecast includes or mixes products sold through distributors with the process oriented products commonly sold directly by manufacturers' to the end users.

Figures indicate that the volume of spending for pipe and fittings has not followed proportionately with increases in capital expenditures over the past few years. It is reasoned that less is being spent on traditional machinery and equipment (including piping), and more on high-tech information processing, comunications and automation equipment. Additionally, the emphasis on modernization as well as MRO supplies instead of new plant construction, has tended to limit the volume of orders for new pipe and fitting installations.

Selected bellwether market projections

Table 1—Average annual growth rates for manufacturers' sales of material handling equipment

Period	All material handling equipment	Industrial trucks & tractors	Conveyors & conveying equipment	Hoists, cranes & monorails
1972–1985E	7.6%	5.5%	9.8%	7.4%
1972–1977	13.8	12.5	15.3	15.7
1977–1982	4.3	0.6	8.2	3.4
1982–1985E	3.5	3.1	3.9	3.4
1985–1994P	8.1	7.3	8.6	8.4

E—Estimate by Business Trend Analysts
P—Projection by Business Trend Analysts
Source: U.S. Department of Commerce

Table 2—Estimated fastener consumption, all uses
($ Millions)

	1984**	1985	1986	1987	1988	1989	% annual growth
Total consumption	3835	4181	4682	4871	5003	5136	6.0
Bolts	729	841	880	1013	1052	1069	8.0
Large screws	599	655	739	752	752	776	5.3
Small screws	640	697	787	797	821	838	5.5
Nuts	487	530	601	583	579	579	3.5
Non-threaded	630	667	697	722	754	756	3.7
Aircraft/aerospace	524	594	701	748	788	850	10.2
Specialty & other	225	197	277	256	257	265	3.3

*Constant 1984 dollars
**Base year for projections
Source: Frost & Sullivan (estimates)

Table 3—Domestic manufacturers' sales of hydraulic fluid power products
($ Millions)

Year	Domestic manufacturers' sales	Annual % change
1979	3,645.5	23.9
1980	3,537.5	-3.0
1981	3,631.8	2.7
1982	3,354.3	-7.6
1983	3,291.7	-1.9
1984	4,014.4	22.0
1985E	4,423.2	10.2
1994P	8,436.4	7.8(1)

E—Estimate by Business Trend Analysts
P—Projected by Business Trend Analysts
(1) Average annual growth rate, 1984–1994
Source: U.S. Dept. of Commerce

Table 4—Forecasts of U.S. demand for industrial pipe and fittings by principal type and material
(Constant 1984 $ Millions)

	1984	1985	1987	1989	5-year annual growth (%)
Carbon steel	1,013	1,025	1,014	1,085	1.4
Stainless steel	402	410	402	435	1.6
Lined	106	110	109	118	2.2
Plastics	105	107	105	113	1.5
Fiberglass reinforced	100	103	102	111	2.1
Cast and ductile iron	63	63	61	60	-1.0
Carbon alloy steel	49	49	46	50	0.4
Nickel and nickel alloys	45	47	45	50	2.1
Premium metals and alloys	40	42	40	45	2.4
All other	45	44	42	45	0.0
Total	1,968	2,000	1,966	2,112	+1.4

Source: Frost & Sullivan

Distribution 1986...

[*continued from page 36*]

they see the opportunity for access to new lines and improved support from the assumedly healthier new parent.

But, because some takeovers and divestitures are being instigated at the highest corporate levels, the new management, oriented mainly to the P&L and isolated from the realities of their divisional operations, may consolidate or eliminate lines, impose far reaching management changes and deep cost cutting measures to buoy the profit/loss statement. Discriminate and aggressive new sales and marketing strategies may leave less productive distributors, even the long-tenured, by the wayside while their competition picks up the customers more loyal to the product name than to the unfortunate distributor.

ANOTHER FIRST FROM STERLING.
THE NEW
Blue Diamond
1.5/1 POSI-TOOTH™ BANDSAW BLADE

MORE PERFORMANCE YIELDS MORE PROFIT

NOW — from the same people who brought you the first varied-pitch saw blade . . . a new high-production bandsaw blade with the coarsest varied-pitch available. Reduces cutting time, extends blade life, builds customer satisfaction and earns you repeat business.

Add this high-performance blade, as well as the full line of high quality Sterling products, to your customer order list. Available from 7 Factory Welding and Distribution Centers throughout the U.S.

Innovators Since 1890
STERLING®
DIAMOND SAW WORKS INC.
CHAFFEE, NEW YORK 14030 • 716-496-7417
Band, Hack, Hole Saw, Sabre and Reciprocating Blades

Write in No. 26

"The sorting out process is going to create a lot of anguish for distributors," comments Metropolitan's Ruple.

Yet, according to Reid, "Those who are a true value-added service to the product of the manufacturer will survive and do even better than they have in the past."

Preparedness, then, is important--keeping an eye vendor movements and having an alternative, whether it is a new supply source, or proof to the vendor that a distributor can carry his weight and make a contribution.

Specialization

Because technology is impinging so heavily on distribution, will there be a place for the general line distributor? Obviously, the fasteners, the hand tools, portable power tools, disposables and the vast array of MRO products without which not a wheel would turn in the plant, make the general liner a valuable industrial asset and will still be needed even in the most highly mechanized and automated plant.

The increasing demand for one-stop-shopping supports the need for the general liner. Yet it also points to the need for any distributor to be able to supply and service the specialized and increasingly complex needs of the customer if he is to maintain a privileged position in his own marketplace. With the added emphasis on new technology, the power transmission distributor, as an example, may need to expand his capabilities in more sophisticated motion control with the addition of such products as the programmable controller, mini process computers, and sensory feedback devices which are rapidly becoming standard, off-the-shelf items for automation-oriented distributors.

But, specialization is not for everyone, nor can it be. Some geographic areas cannot support such specialties, while they may thrive in more metropolitan or industry-specific areas.

When looking into possibilities for specialization, recommends Ron Cota, disregard labels that define your own or other distributorships as, for instance, "electronic or power transmission distributor" because their significance diminishes the further into specialization the distributor gets. Labels limit thinking to the narrow group of lines one might carry, rather than the broader range the customer or a changing market may need. Decisions will key on reaction to, and anticipation of, customer needs for products and services.

Adds Ruple, "It's also important to match the direction you want to take the company with the talent that you have in place. Otherwise, it's like starting a whole new company."

Distribution mergers

With the move toward total or partial specialization and the balance of economic output between low-tech smokestack industry and high-tech industry rapidly closing to the point where they will cross at 20% of total economic output this year, mergers and buyouts of diverse types of distributorships will become a major avenue for distributors wanting to capitalize on new market opportunities and to increase territories.

Integrated manufacturing is a high-potential market for one-stop purchasing of related specialties, such as fluid power and mechanical power transmission, electrical and electronic, power transmission and material handling. The customer will be able to go to the new specialty combines and buy a total package rather than having to flit from distributor to distributor to gather the diverse elements of his system.

> **'The sorting out process is going to create a lot of anguish for distributors.'**

More distributors, well aware of the profit potential in specialization, will either merge, buy out, open new branches, or establish specialized capabilities in house. Computer systems already in place in the home office can easily be linked to branch offices, the inventories can be tailored closely to the local market, and central purchasing on a larger scale can allow distributors to deal more efficiently with suppliers.

While the acquisition route, according to Arthur Andersen & Co. partner David K. Carlson, "is one approach whereby a distributor can grow geographically or get into a new product line without using internal capital to start from scratch and doing it himself," the cost of opening a new branch is fairly attractive as well. With centralized operations at the home office, it takes little more than a prefabricated warehouse, racking, inventory and a skeletal labor force. In some cases, the cost of the building can even be shared with other distributors as is the case in Mansfield, OH, where Pattison Supply Co., a general line distributor and ***ID***'s

You profit when handling Simrit's STANDARD METRIC SIZE Seals and Packings

- **You have a long line** of shapes and sizes. Included are: SIMMERING® radial shaft seals, O rings, U packings, V packings, rod wipers plus many more seals and packings.
- **You enjoy top quality products** from SIMRIT the world's largest manufacturer of quality Standard Metric Size seals and packings.
- **Your selling efforts will be backed** by a series of publication ads reaching your customers and prospects.

SIMRIT

Simrit Corporation

3190 Kennicott Avenue
Arlington Heights, Illinois 60004
(312) 394-2275

Freudenberg Simrit Corporation – A Company of the Freudenberg-Group

Write in No. 27

1985 Distributor of the Year (*ID:* December 1985) occupies quarters jointly with a rubber distributor and an electrical distributor.

To illustrate the scope of the trend toward mergers and buyouts, a report put out by the Distribution Research and Education Foundation of the National Assn. of Wholesaler-Distributors predicts that the number of small distributors, doing under $20 million in sales, will decrease by 25% to account for about 38% of total distributorships, and their share of total sales will decrease by 50%. Medium-sized companies will increase to about 32% of the total and their share of total sales, between $20-100 million, will remain about the same. Total sales for companies doing an annual business of more than $100 million will increase by as much as 60% by 1990.

According to a recent ***ID*** survey, 29% of the general line distributors and 25% of the specialists would welcome an aquisition offer.

Imports

Imports are an ambiguous area for the distributor. Limited in his ability to raise prices, cheaper, or for some reason more readily available, imports can often mean higher profit margins, especially in some commodity areas like fasteners, and certain types of mechanical power transmission. At the same time, commitment to cheaper commodity items in the warehouse may only fuel what many see as the possibility of rampant price cutting practices among distributors everywhere.

While foreign suppliers often use existing distribution channels as their main thrust for moving into the U.S. marketplace, there is also the danger in some product areas that they will set up their own network of competitive, specialized distributors.

Consultants like Ron Cota see a trend toward higher quality technological foreign products "that are going to be giving some of the U.S. manufacturers a good run for their money," especially where customer loyalty to domestic manufacturers is weakest.

> **'It's also important to match the direction you want to take the company with the talent that you have in place.'**

Mass merchandizers

Increased competition and the trend toward refining marketing practices to boost sales has led a growing number of suppliers to the mass merchandizers like K-Mart, Sears and the scores of regional retailers catering to the small

As a leader in nonmetallic tubing and ducting...

Flexible offers MORE ways to be profitable.

Flexible Technologies offers a complete line of high quality, competitively priced tubing and ducting to meet a wide variety of applications. Customer service, distributor sales training, and continuous national end-user advertising are additional reasons why you should carry Flexible's SPIRATUBE® FLEXFLYTE® and VAC-U-FLEX® hose products.

Flexible is a leader because it provides its strategically selected industrial distributors with more of everything to make profits.

Call or write Dean Kimbrell, National Sales Manager, Industrial Products, today for details on how you can benefit with the Flexible line.

We're Flexible.®

FLEXIBLE TECHNOLOGIES

A PENN CENTRAL UNIT

GREENVILLE, SC 29606 (Box 5698) • LA MIRADA, CA 90638

IN CANADA:

AUTOMATION INDUSTRIES (CANADA) LTD., MISSISSAUGA, ONTARIO L4V 1L8

NATIONAL SALES HEADQUARTERS: Telephone 803/288-7175

0664

Write in No. 28

contractors and do-it-yourselfers. According to Bob Munson, of Phillips Supply Co., Cleveland, OH, many big-name companies that have traditionally dealt solely through distributors, especially fastener, safety equipment and power and hand tool manufacturers, have found these to be profitable outlets with increasing customer potential, responding to the convenience and lower prices of the mass merchandizer.

More and more, distributors are becoming concerned about such inroads. Paul Connelly, president of Construction Tool Service, Pittsburgh, Pa, says he expects four such operations to open in his area in the next year.

While the distributor may choose to ignore the mass merchandizers and rely on the service-added benefits of dealing with a distributor, his other option is to compete with them directly, which may mean opening up a showroom, boosting local advertising and adopting some of the practices of retailers to draw in walk-in and pick-up customers.

"It's been a migratory path where we are trying to find the laid-off steelworker running the two-man shop, the teeny tiny guys that several suppliers have found are buying their tools through the lumber yards," says Connelly, who in recent years has seen an exodus of some of his major customers. "It's a tough road because you don't really know where to get a hold of these guys, or anything about their credit ratings. But that's a potential growth area."

Opening a showroom opens up a list of considerations most distributors have not had to deal with before, for example, showroom space and the investment in setting up displays; there must be salespeople on the floor and behind the counter. Further, there must be decisions on maintaining minimum billings, price differentials between cash & carry customers and credit accounts, the use of credit cards, and credit to the small contractor in a fledgling business; on controlling pilferage by walk-in customers; on selling to the non-professional, price-seeking do-it-yourselfer; and on product liability considerations for non-professional customers.

'The factory automation distributor won't look like any distributor we have out there today.'

In some cases, Connelly says, distributors compete with outfits that operate on profit levels under 1%, while the average distributor needs about 30% to cover labor and inventory.

Connelly said his priority now is expanding his showroom and counter area and getting more product out on display. "I think it's necessary that we get that done as soon as possible, get our own version of the DIY in place before

A New Vision In Protective Eyewear

Fashionable styling
Lightweight & durable
Excellent peripheral vision
3 way protection (front, top & sides)
64MM lens size fits all faces
20/20 is equal to the challenge of high impact hazards and meets all the requirements of ANSI Z87.1.

Combine the best in looks with the best in protection and you have Sellstrom's 20/20 . . . the new vision in eye protection for school shops. Designed with form-fitting protection that shields from 3 ways, reducing the risk of impact injuries to the eye.

20/20 protection is available in attractive translucent brown or charcoal/smoke frames. Lenses come in clear, neutral gray and Ultra Poly, shades 2 and 3 infrared/ultra violet lenses.

See 20/20 at your local distributor or call (312) 358-2000 for details.

sellstrom MANUFACTURING CO
P.O. Box 355 Palatine, Illinois 60078

Write in No. 29

these giant chains get it done."

Local advertising will play a major role in picking up these customers, and a major consideration brought up here is brand recognition. An alternative to direct competition with the low prices mass merchadisers are willing to offer on brand name products is to minimize stocking the brands that chain retailers market the most heavily.

Connelly concludes, "There should at least be the effort to out think them. We should target our own market and actively seek that, rather than be dictated to by the marketplace."

Local advertising

Following the trend toward trying to attract new or difficult-to-reach customers to showrooms, or to new branches, distributors will be turning more to local advertising in newspapers and on radio and television.

"The question is how to communicate more cost effectively, and while print communication is not the total answer, it is growing," says Martin Manaly, president of Distributor Publications, Milford, CT.

Manaly, a former industrial distributor himself, sees the mail order catalog as one of the more popular and productive forms of increasing business. Because of the increasing cost of making personal sales calls, now estimated to be between $150 and $200 a call, and with, according to Manaly, 90% of a company's business coming from the top 20% of its customer list, there is a large market sector of medium and small customers being lost by default. With increased competition in the industry, there are areas where the salesmen are making calls but the competition is getting the business, and salesmen are increasingly having trouble reaching the right contacts.

For these reasons, Manaly says, a well targeted catalog program, mailed to the appropriate person, listing the distributor's inventory and his prices, is more likely to remain on the desk of the buyer as a reference book.

Mailing lists, he adds, are critical to such mailings–so critical that they cannot be left to the subjective and biased mind of the salesman for development. "Most are not disciplined to approach the mailing list as a very important asset base," he says. Instead, a comprehensive mailing list should be developed by "an accounting type person on staff who recognizes the importance of standard industrial classifications."

Direct mail, often using cooperative advertising budgets offered by suppliers is another alternative, but far less productive by Manaly's estimations. He says that too many of these very product-specific, hit-or-miss publications come across the purchasing agent's desk each day, and he more often remembers the name of the manufacturer, not the distributor.

Distributor newsletters, however, enable the distributor to spotlight his own specials, while imprinting the name and scope of the company through news items.

'We should target our own market and actively seek that, rather than be dictated to by the market.'

Where next for computers

Approximately 70% of distributors now have some kind of computer system in place, but most of those have hardly begun to tap into the potential of their systems, says Ed Reid. Computers are now commonplace in the operational end of the business, keeping track of accounts payable, salary and inventory, which Reid suggests is important because 70%-80% of a distributor's assets are in accounts receivable and inventory. But, continues Reid, distributors need to move into such areas as sales and marketing, and warehouse automation.

On the sales end, more distributors are equipping outside salesmen with remote terminals for order entries, inventory searches, credit checks, and other instant-response feedback over the telephone from a customer's office, the salesman's home, or a roadside phone.

Direct or electronic order entry between the customer and the distributor is another growing use of the computer, though the use is growing faster between the distributor and his suppliers. In the case of the customer, telephone hookups between computers allows the customer to enter orders at his convenience, often through a customer-specific matrix of such factors as price and his own inventory numbers.

So far, the move to electronic order entry has beeen relatively slow–about 10% per year of those distributors reporting computer capabilities. But with new entries such as *Redinet*, a completely computerized, independent network linking manufacturers to distributors for information interchange, and impressive advances in distributor-compatible hardware and software, more manufacturers and distributors are expressing interest. One estimate puts the number of terminals in manufacturer-distributor exchanges at around 300 nationwide, with growth figures at 10-15% through 1980 and beyond.

Taking grip

Over the course of 1986, these trends and developments will impact distribution harder than they have over the last few years. Salespeople, both inside and out, will be trained as specialists in technical and marketing skills, while order entry and purchasing information will be handled electronically. Inventories will reflect preparation for further penetration into automation and mechanization in both the factory and the untraditional high-tech markets. Sources of supply will shrink under consolidations, divestitures and mergers, and imports may become even more attractive.

"Distribution's function and the economic reasons for having distributors is going to greatly increase in the coming decade," concludes Ed Reid. "The key is for a distributor not to question *Is high tech in or is it premature?* It's to get in there and start thinking and coming to conclusions. It's good to look at trends analytically, but the distributor has got to take these nationwide and worldwide trends, plus his own common sense, his own gut feelings and his own intimate knowledge of his company, his employees and his customers, and apply those to his marketplace. He's got to develop a plan and implement it with a sense of urgency."☐

PORTABLE
POWER TOOLS

The market

Portable power tools and accessories have always been attractive product lines for distributors. Profit margins are good, markets are broad, and there are unlimited opportunities available to increase sales. Leading markets for portable power tools and accessories are the construction industry, maintenance repair and building trade. New markets are opening up as well, including the quality-conscious do-it-yourselfer, and many distributors are rethinking and reshaping marketing techniques to attract new customers.

According to Frost & Sullivan, a New York-based research firm, sales of electrical portable power tools alone are projected to grow 7% from 1985-1990 with total sales of $2.39 billion in 1990. The forecast for pneumatic tools is an 8% average growth rate for the same period; 1990 projected sales is $907 million. Powder-actuated tools are projected to grow 7%; $39 million in projected 1990 sales; hydraulic powered at a 6% growth from 1985-1990 with total sales projected for 1990 at $13 million.

The construction industry is the leading market for portable power tools; it's labor-intensive and there's a high degree of duplication of equipment. Any number of workers on the same site may be working with similar tools. There are many decision makers at the construction site, from general contractors to specialized craftsmen.

The industrial maintenance market is dominated by electric tools, mainly due to the easy availability of electrical power in every work zone. Since industrial maintenance departments have good control of their tools, they're more likely to buy top-of-the-line merchandise and expect them to last indefinitely. Contractors and construction workers, on the other hand, must deal with high pilferage rates.

For portable power tool accessories, the market is growing rapidly. In the five year period between 1983 and 1988, the entire portable power tool accessories business will grow from $774 million to $1.1 billion in sales. Abrasives will grow at a better than 11% annual rate (see figures), reaching $315 million; saw blades will reach $180 million, exceeding a 9% growth during the period. Sales to the construction industry should reach $138 million by 1988, an 8.2% annual increase from $91 million in 1983. Another market to look out for is the professional/automotive service market, which will grow at an approximate 8.6% annual rate to $227 million in 1988. Accessories for portable power tools serve a wide range of users and applications; the products are expendable and the business doesn't saturate. Profit margins are excellent.

The do-it-yourself market has been expanding rapidly for years. More and more distributors are catering to walk-in customers, even though there is heavy competition for the do-it-yourselfer from retail stores. Distributors are not very interested in the beginning do-it-yourselfer. The *advanced* do-it-yourselfer and local craftsmen are potential customers, however, and a walk-in counter service business is profitable when selling power tools and accessories. The edge the distributor has over such retailers as K-Mart and Sears is the professional quality of the lines sold. There are major differences between tools used by the homeowner and tools used professionally by construction workers and craftsmen. Consumer tools, for instance, have considerably less expensive cord jackets that can't stand up to low temperatures. Switches are more durable on professional tools; chances are a do-it-yourselfer won't be using his power tool for five hundred man-hours. The do-it-yourselfer usually uses a tool infrequently and requires few blades, bits, abrasives, etc. Even though large retail chains have expanded their tool departments, the truly professional worker won't be able to find what he needs at those stores. Distributors who have an advanced do-it-yourself market in their areas are using merchandising displays and posters provided by manufacturers to promote the tools inside their stores. Almost half of the business is

TOTAL MARKET SALES AND PROJECTIONS 1983-1988
Power Tool Accessories
VALUES IN MILLIONS OF DOLLARS

				Projected			
	1983	1984	1985	1986	1987	1988	% GROWTH
DRILL BITS	87.29	97.44	105.56	113.68	119.77	124.85	7.4
Metal	39.27	48.84	47.49	51.14	53.88	56.17	7.4
Wood	27.33	30.51	33.05	35.59	37.50	39.09	7.4
Percussion	20.69	23.09	25.02	26.94	28.38	29.59	7.4
SAWS	115.00	134.00	142.00	162.00	172.00	180.00	9.4
Straight	56.00	66.00	70.00	79.00	84.00	86.00	9.5
Reciprocating	14.25	16.80	17.82	20.11	21.38	22.40	9.5
Jig/Saber	15.41	18.16	19.26	21.73	23.11	24.21	9.5
Hole	15.39	18.14	19.24	21.72	23.09	24.19	9.5
Band	10.95	12.90	13.69	15.44	16.42	17.20	9.5
Circular	59.00	68.00	72.00	83.00	88.00	92.00	9.3
General Purpose	24.34	28.06	29.71	34.25	36.31	37.96	9.3
Bonded Cutoff	15.56	17.93	18.99	21.89	23.21	24.26	9.3
Carbide	19.10	22.01	23.31	26.87	28.49	29.78	9.3
ABRASIVES	185.11	218.13	248.38	273.16	296.88	315.19	11.2
Grinding Wheels	28.44	33.59	37.90	42.07	45.76	48.54	11.3
Cup Wheels	22.52	26.53	30.23	33.23	36.15	38.34	11.2
Disks	29.66	34.87	39.84	43.67	47.21	50.39	11.2
Flap Wheels	15.85	18.68	21.34	23.40	25.45	27.00	11.2
Belts	28.51	33.60	38.22	42.07	45.77	48.55	11.2
Sheets	26.68	31.44	35.61	39.38	42.84	45.44	11.2
Drums	15.04	17.72	20.24	22.19	24.15	25.61	11.2
Mounted Wheels	18.40	21.68	25.00	27.16	29.54	31.33	11.2
ROUTER BITS	11.88	14.36	15.84	18.81	20.79	21.78	12.9
High Speed Steel	6.24	7.54	8.32	9.88	10.92	11.44	12.9
Carbide	5.64	6.81	7.52	8.93	9.87	10.34	12.9
OTHER CONSUMABLES	54.94	62.94	68.93	73.93	80.92	84.00	8.9
Wire Wheels	13.83	15.84	17.35	18.61	20.37	21.14	8.9
Buffing Wheels	8.52	10.27	11.25	11.47	12.56	13.02	8.9
Polishing Pads	10.62	12.16	13.32	14.29	15.64	16.24	8.9
Rotary Files	10.32	11.82	12.95	13.89	15.20	15.78	8.9
Miscellaneous	11.65	12.83	14.06	15.67	17.15	17.82	8.9
HOLDERS	74.30	80.33	87.36	93.39	99.41	104.57	7.1
Chucks	14.72	15.92	17.31	18.50	19.70	20.72	7.1
Power Bits	13.73	14.84	16.14	17.26	18.37	19.31	7.1
Disk Pads	11.10	12.00	13.05	13.95	14.85	15.63	7.1
Keys	15.69	16.96	18.44	19.72	20.99	22.07	7.1
Power Sockets	10.27	11.11	12.08	12.91	13.74	14.47	7.1
Extensions	8.80	9.51	10.34	11.05	11.77	12.38	7.1
CHAIN SAW BLADES AND ACCESSORIES	181.00	194.00	202.00	211.00	222.00	230.00	4.9
OTHER ACCESSORIES	64.44	68.64	73.66	78.62	82.08	86.28	6.1
TOTALS	773.96	869.83	943.75	1024.69	1093.85	1146.67	8.2

Source: Frost & Sullivan, Inc.

The market...

conducted over the counter; catalog and telephone sales rank second and third. Distributors who feature full counter service when selling portable power tools and accessories offer their customers–from the advanced do-it-yourselfer to construction workers–convenience, a full line of professional products and repair capabilities.☐

THE U.S. PORTABLE POWER TOOL MARKET
(SIC 3546)

Manufacturing/Durable Goods

SIC No.		Consumption ($ mil)
24	Lumber & Wood Products	$66
25	Furniture, Fixtures	46
32	Mineral Products	74
33	Primary Metals	61
34	Fabricated Metals	67
35	Machinery, Computers	154
36	Electrical/Electronic, Appliances	104
37	Transportation Products	173
38	Instruments/Controls	28
39	Durable Goods NEC	14
	subtotal	$787

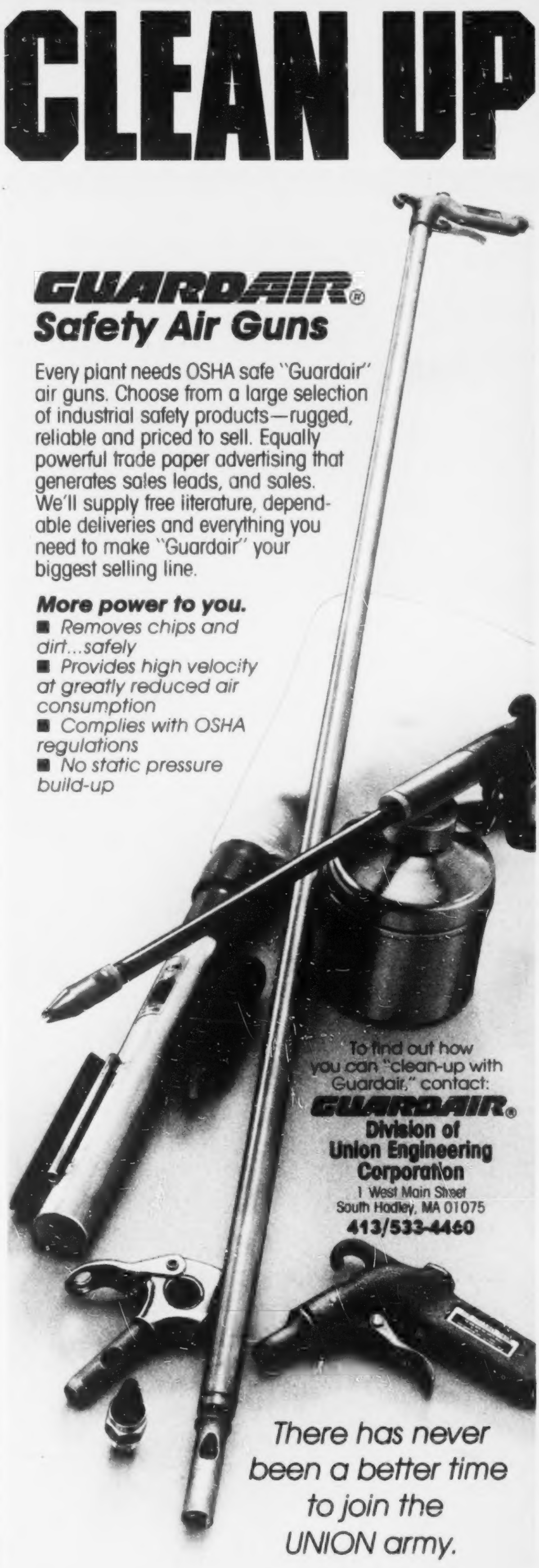
Manufacturing/Non Durable Goods

SIC No.		Consumption ($ mil)
20,21	Foods & Tobacco	$34
22,23	Textiles, Apparel	31
26,27	Paper & Printing	28
28,29	Chemical & Oil Products	45
30,31	Rubber, Plastics, Leather	18
39	Non Durable Goods NEC	10
	subtotal	$166

Non-Manufacturing

	Consumption ($ mil)
Agriculture, Forestry, Fishing	$46
Mining, Oil & Gas Extraction, Pipeline	37
Construction, Trade Contractors, Mechanical	285
Trucking & other Auto-Transportation Services	45
Rail Transportation	26
Marine Transportation	10
Air Transportation	19
Automotive (car, truck, tractor); other machinery M/R services	420
Public Utilities	29
All other including wholesale/retail trade, institutional, equipment rental, consumer use	820
Government, including defense	160
subtotal	$1897
Total U.S. market	$2850

Source: Trinet, Inc., Parsippany, NJ.


CLEAN UP

GUARDAIR®
Safety Air Guns

Every plant needs OSHA safe "Guardair" air guns. Choose from a large selection of industrial safety products—rugged, reliable and priced to sell. Equally powerful trade paper advertising that generates sales leads, and sales. We'll supply free literature, dependable deliveries and everything you need to make "Guardair" your biggest selling line.

More power to you.
- Removes chips and dirt...safely
- Provides high velocity at greatly reduced air consumption
- Complies with OSHA regulations
- No static pressure build-up

To find out how you can "clean-up with Guardair," contact:
GUARDAIR®
Division of
Union Engineering
Corporation
1 West Main Street
South Hadley, MA 01075
413/533-4460

There has never been a better time to join the UNION army.

Write in No. 60

Abrasives review

Product Reviews are 12-month updates of Distributor Product Showcases . . .

While traditional abrasives applications are declining, new ones are taking their place. The question is whether the abrasives business will ever come all the way back to its former glory.

The abrasives industry, more than most, is dependent upon activity in durable goods production. Abrasives are used for everything from shaping, forming and smoothing to cutting, cleaning and de-burring.

Today, however, buffeted by the winds of change, the abrasives industry is facing an uncertain future. While isolated applications—notably aerospace and electronics—show continued strength, venerable markets are disappearing as the U.S. shifts increasingly to a service-oriented economy with manufacturing on the decline. In fact, there are few basic industries remaining that America can call exclusively her own. Such sacrosanct strongholds of abrasives applications as autos, steel, appliances and furniture are experiencing a reduction in units of production.

Norton's Abrasives Marketing Group vice president, Robert N. Hamilton notes that he expects to see 1986 as "Probably flat or down a few percentage points, but less than five (points) in physical volume.

"I think automotive will probably be down. Machine tools are in the doldrums and I don't see them coming out. Construction equipment is in bad shape. And in terms of basic industries, foundries are gradually going out of business, steel is slow and the bearing industry is in trouble. And these are long-term trends."

On the other hand, predicts Hamilton, "Aerospace is probably going to be strong. Defense is going to be strong and forest products and furniture are going to be strong."

Reflecting what would have to be characterized as an atypical point of view, Peter C. Spuller, supervisor of marketing services for Klingspor Abrasives, Inc. reports that the German firm is doing well in the U.S. market. "Our business has done nothing but pick up. We're doing well with metal finishing. Polishing and metal industries seem to be picking up for us and all forms of primary and secondary metals seem to be going great guns. We're selling pretty much in Silicon Valley."

Standard Abrasives' sales manager, David Liffers, sees the economy as very spotty in 1986. "Overall, the U.S. economy has been very regionalized and I see some areas in the deep south and on the East Coast doing very well and some other areas, particularly around the petroleum industry, Texas and Oklahoma, taking a downturn which I believe will continue on through 1986. The West Coast, with the aerospace industry, remains healthy as both commercial and military aircraft seem to prosper," says Liffers.

"I think autos will take an upward trend, although it doesn't affect our business a lot because the auto industry and aftermarket are very specialized parts of the abrasives business," he adds.

And George A. Pishek, manager of applications for Osborn Manufacturing joins the concensus. "In the next 12 months, I would say business will be slow in all areas and I don't see anything really big happening. I think oil is going to be bad for at least another year."

A final voice to the prognosis of an essentially listless economy is William McCleod, director of marketing with Radiac Abrasives. "We see business as basically flat and if you were to segment it, the smokestack industries might even be a little depressed."

Perhaps the most candid language concerning the abrasives market in 1986 was used by a high-level industry spokesman who requested anonymity.

"There is a tremendous over-capacity in the industry which has gotten to the point where nobody's making any money. What we see is that no one can afford to do the R&D that will help find new markets. The major firms have cut research to the bone so that not many new products are coming out.

"The most promising prospects are in the defense industry which seems to be solid. Metal working in general is spotty, automotive is supposed to slack off and steel is showing a glimmer of hope. If President Reagan's import restrictions ever take effect, the steel industry and the heavy abrasives associated with steel will somewhat improve. The foundry industry is still in the doldrums and not a lot of improvement is seen there. The latest I've seen on the oil tool industry is that it will remain flat for another couple of years," he states.

No agreement on imports

On the subject of imports, opinion is about evenly divided by domestic producers as to whether the worst is over.

"The basic problem we have in the U.S. is that the market is gradually shrinking by maybe one or two percent a year," says Norton's Hamilton. "Our customers are losing their export markets and they're losing their domestic

Abrasives review . . .

markets to exports and, on top of that, they're sourcing some of their product lines from overseas. You put those three things together and you get market shrinkage that's significant," he says.

"And," continues Hamilton, "some of the change has to be viewed as permanent. When U.S. auto companies build plants in Mexico or Brazil or enter into a contract with somebody in Japan, those things are permanent and the strengthening or weakening of the dollar isn't going to make them shut down those plants. Those decisions are made for 20 years, so I don't look for the weakening of the dollar to help us in the short term and it will never get us back to where we were.

"And then of course business is still poor in Europe so they view the U.S. as a wonderful market and so do those in the Far East. And, when Carborundum went out of business, they undoubtedly gobbled some of that and there are a number of domestic manufacturers that are going out of business or consolidating, so there's a shakeout in the industry," emphasizes Hamilton.

McLeod from Radiac, however, doesn't agree that the worst is over. "We don't see imports as a huge dent but we are concerned about them. I don't feel that imports have peaked and I feel that there will be continued pressure, especially from Third World countries. I see Korea becoming more active and I definitely feel that the Chinese will become more viable. If I had to estimate, I would say that bonded abrasives imports don't exceed 10% today and that may be high, although I think the coated industry has more short-term risk than the bonded."

According to our anonymous source, however, imports pose a challenge of major proportions. "Some people feel that any abrasive that can be described as a commodity item will probably end up being foreign sourced or produced on the Mexican border," he says.

"I think most people in the manufacturing area right now are running scared about how to save their companies and how to save their jobs, and at times, are being faced with what look like insurmountable odds. Although a lot of people are against protectionism, we're not competing with any one company. We're competing with a whole mode of operation and foreign governments."

A strong dollar no panacea

Despite the much touted salutary effect of a weakened dollar in general, and the balance of trade in particular, Hamilton notes that "The weakening dollar will make a difference, but not a quick one. It takes a year or two to work through the system. When the dollar was shooting up, foreign manufacturers weren't lowering their prices in the states so they have a good cushion."

Liffers from Standard maintains that

[*continued on page 128*]

Innovation—something new or different introduced as if for the first time.

Software systems designed exclusively for distribution management…It's different, and it ensures totally reliable, cost-effective control of inventory turns, cash flow and customer service levels.

Two software packages developed by B.W. Rogers Co., a leading distributor of industrial equipment, are tailored to the special needs of distributors because they were designed with the help of distributors nationwide.

SALES

EMPLOYMENT

PROFIT

RECEIVABLES

LEVEL **ONE**

Distributors moving toward automated operations to become more competitive benefit with inventory control. Level I is a very affordable, full-function package which promotes sales growth and overall profitability.

LEVEL **TWO**

Developed for the more sophisticated user, Level II is more CRT oriented, reduces paperwork, automates most clerical jobs and improves data validation. It also includes direct phone quotation/order entry handling, plus automatic control of all return orders and assembly operations, and direct order entry.

B.W. Rogers Co.

Something New Exclusively for Distribution Management.

380 Water Street • Box 1030 • Akron, Ohio 44309 **800/321-8272** **In Ohio call 800/321-9544**

Write in No. 92

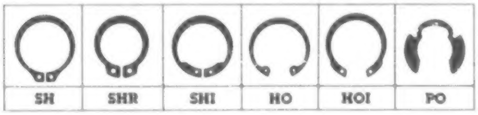
SHIPMENTS OF GRINDING AND POLISHING MACHINES
Units, 1977 to Date

Products	1977	1978	1979	1980	1981	1982	1983	1984
UNITS TOTAL	95,234	110,202	107,288	97,004	91,548	58,362	56,864	59,959
Unit Value Under $1,000 (a)	80,484	91,373	89,238	79,509	76,687	48,651	50,512	51,614
Unit Value $1,000 and Over (b)	14,750	18,829	18,050	17,495	14,861	9,711	6,352	8,345
External Cylindrical Grinding Machines								
Plain	172	247	325	297	383	394	140	104
Universal	204	226	313	305	291	302	242	216
Roll and Centerless	(e)							
All Other External (c)		546	821	935	880	637	378	366
Internal Cylindrical	781							
Grinding Machines		(e)	(e)	(e)	(e)	(e)	(e)	(e)
Surface Grinding Machines								
Rotary Table Type	271	289	307	348	264	152	120	133
Reciprocating Table Type								
Vertical and Horizontal	1,632	1,921	2,217	2,941	1,850	1,270	862	819
Hand Surface Type	2,581	2,839	3,147	3,523	1,822	1,310	1,251	1,708
Planner Type and All Other	(e)	(e)		(e)	(e)	(e)	(e)	(e)
Bench, Floor and Snag Grinders	1,066	1,359	728	537	484	469	316	460
Tool and Cutter Grinding Machines								
Universal	2,079	2,111	2,367	2,610	2,818	1,568	851	955
Special								
Polishing and Buffing Machines								
Stand, drum & disc types	372	849	543	326	309	(e)	(e)	332
All Other Polishing	1,102	2,011	2,083	1,581	1,501	650	501	809
Honing and Lapping Machines								
Honing Machines (Except Gear) Internal and External	2,445	1,667	2,154	1,871	1,486	1,002	(e)	(e)
All Other Honing and Lapping Machines		362	535	370	354	(e)	(e)	(e)
All Other	2,045	4,402	2,420	1,851	2,419	1,957	1,691	2,443

(e) Included in "All Other." *Source: U.S. Department of Commerce*

JOIN THE CASH EXPLOSION
BECOME A ROTOR CLIP RETAINING RING DISTRIBUTOR

- ALL STANDARD SIZES available for immediate delivery
- LOWEST RETAIL PRICES, highest profit margin in the industry
- EFFICIENT PACKAGING for optimum utilization of shelf space
- SALES AND ENGINEERING support to stimulate sales
- HIGHEST QUALITY PRODUCT supported by Statistical Process Control (SPC) techniques



* Our policies are geared to distributor sales. For more information and a copy of our latest distributor price list, CONTACT JACK M. THAV at 1-800-631-5857.

100%
Made In America

ROTOR CLIP™
187 DAVIDSON AVE.
SOMERSET, NJ 08873
ROTOR CLIP, THE FULL LINE RETAINING RING COMPANY

Write in No. 93

Abrasives review . . .

prices of offshore products contain enough margin to counteract any difference in price from a devalued dollar: "We have a lot of foreign manufacturers who try to sell us coated abrasives material and they do not see any big increase in their prices. They see their business and their price levels remaining quite steady outside of the normal price increases, about 5-6% annually."

High tech's unfulfilled promise

Despite the vision of high tech related companies replacing traditional smokestack industries, abrasives experts say that the promise is still largely illusory.

Norton's Hamilton notes that electronics has been "in a slump" but he voices optimism that "It will be stronger next year. And it's a good market for abrasives that needs to be developed. It's also a two-part market. One is for maintenance materials such as toolroom wheels and then there is a need for material used in the production process which tends to be very specialized.

"We pay a lot of attention to electronics because in ten years we may not have a machine tool industry to sell to. We have keyed into the electronics industry as one that is going somewhere, but that means investment and product development. You don't just sell them stuff off the shelf," Hamilton states.

Liffers from Standard Abrasives says that "Up around Silicon Valley a lot of our product was used in finishing the cabinets that housed computers and we find that business to be off quite a bit this year. They are laying off a lot of people so there was quite a drop in that particular end of the business."

Finding a niche

The one subject on which all those surveyed agreed was that the key to survival for U.S. abrasives manufacturers, at least, is to specialize.

McLeod of Radiac says "We see the necessity to concentrate on key areas of strength. The day of trying to be everything to everybody is over. Although we're a full-line supplier and plan to continue to be one, the emphasis will not be as broad-based as before."

Perhaps the future of the abrasives business was best summed up by the unnamed industry source who commented: "The future in abrasives undoubtedly belongs to the engineered specialty products which are more difficult to source. All companies are trying to confine their business to an area where they can do a better job. There is one benefit to the intense competition. The companies that survive are certainly going to end up being more efficient. The trouble is, you're going to have to take a lot of hard knocks to get there."☐

By **Doug Harper**
Senior Editor

NEW! RETRACTA AUTO-REWIND HOSE REELS

Garden
Oxy-Acetylene
Compressed Air

Additional model types are available for dispensing Oxy-Propane, Oil, Grease, Weedicides/Pesticides and Industrial Hot or Cold Wash.

★ APPLIANCES NOT INCLUDED

- ☐ *LOW COST, complete with hose and ready for immediate use.*
- ☐ *Eliminates hose tangles . . . improves safety.*
- ☐ *Lightweight, compact and secure hose storage.*
- ☐ *Low operating effort.*
- ☐ *Rugged construction . . . fully guaranteed.*

Reelco International
A MACNAUGHT COMPANY

NATIONAL OR REGIONAL DISTRIBUTORS REQUIRED. PLEASE CONTACT:–

Macnaught Pty Limited
PO Box 90 Arncliffe NSW 2205 Australia
Telex AA121492 Cables EXMAS

Write in No. 103

2/5/86
C8650-6

Industrial Distribution

TECHNICAL PUBLISHING

February 1986

Hotline:
American manufacturers poised for new growth in 1986

TRIBUTORS
MANUFACT
ONTRACT
XYZ CATALOG
SEARS
K-MART
0131730
32630
70999 01295

Forging the link:

THE SUPPLIERS' VIEW

62215 4139812 W 3 182 3*
MS. JEANNE LONG/SRI AQUIS 33
CONGRESSIONAL INFORMATION **
SERVICE/EDITOR. #3
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814-

Industrial Distribution

VOL. 75, NO. 2/75th yr. A TECHNICAL PUBLISHING PUBLICATION FEBRUARY 1986

13
INDUSTRY NEWS

Low levels of distributor inventories will sustain growth in 1986, says APICS; FHA drops building standards, relies on local and state codes; LCI names Edward Caudill group president; Call to action; Cooper Group wins protection against counterfeit snips; Professor sought by Texas A&M for its distribution program; David John new ***ID*** district sales mgr.; Indicators.

41
HOTLINE

American manufacturers poised for new growth in 1986.

43
STRICTLY FOR SALESMEN

Cutting through the polish

45
NAHAD:

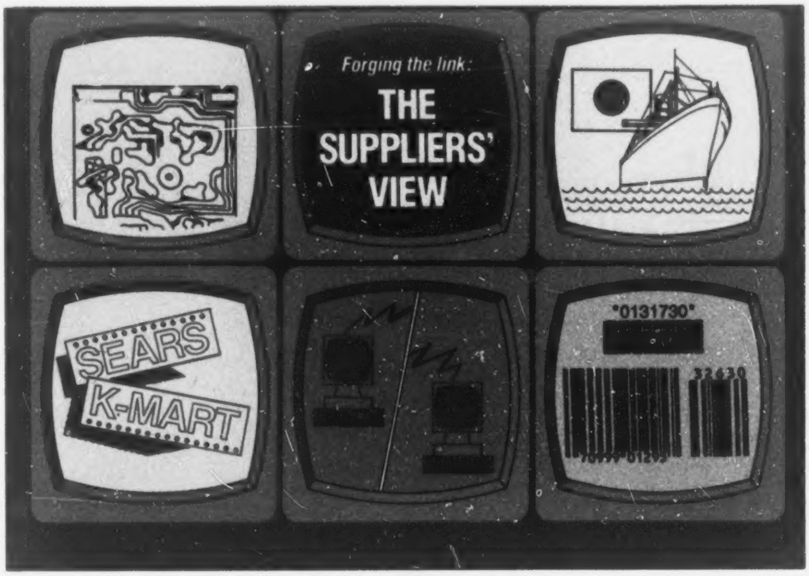
An association whose time has come

Industrial Distribution, (USPS-889-860) is published monthly by Technical Publishing, a Division of Dun-Donnelley Publishing Corporation, a Company of the Dun & Bradstreet Corporation, John K. Abely, President. EXECUTIVE, EDITORIAL AND ADVERTISING OFFICES, 875 Third Ave., New York, NY 10022. (212) 605-9400. Second class postage paid at Barrington, IL 60010 and additional mailing office.

Postmaster: Send address changes to Industrial Distribution, Circulation Dept., P.O. Box 1063, Barrington, IL 60010.

Microfilm or reproductions of issues or articles are available. Write Xerox University Microfilms, Ann Arbor, MI 48106.

33 COVER STORY
FORGING THE LINK: THE SUPPLIERS' VIEW



Manufacturers and consultants examine origins and impact of changes in the supplier/distributor relationship.

49
FOCUS ON SERVICES

Auto/truck leasing

9 READER SERVICE CARD
21 MEETINGS
23 WASHINGTON REPORT
29 REGIONAL REPORT
31 LIKE IT OR NOT
59 READER SERVICE CARD
61 WE WERE THERE
62 NEW PRODUCTS
64 IN PRINT
66 APPOINTMENTS
67 CLASSIFIED ADVERTISING
68 ADVERTISERS' INDEX

53
COMPUTER UPDATE

63
ID ARTICLE INDEX

July to December 1985

54
MARKETING/ OPERATIONS IDEAS

Advisory council keyed to newest distributor problems; Directories, guides broaden resources; Co-op ads easy with planning kit; Complete control with automated handling; Donate extra inventory as college gift; Wire racks cut dirt and cleanup time.

SBS MAKES GRIME EXTREMELY PROFITABLE.

The reasons are quite appealing. And attractive.

First, the SBS Total Skin Care Program offers you a quality line of lotions, creams and powders to keep hands and skin clean, medicated and protected.

Second, SBS products aid in effectively reducing skin trauma and help prevent dermatitis, major occupational problems for your customers.

Third, we strongly support you in your market area with a comprehensive marketing support program.

So take a close look into SBS today. You'll like the way we can make your sales sparkle and your profits gleam.

Call toll free: 1-800-248-7190. In Canada: (416) 743-8853.

SBS.
Subsidiary of
THE ANDREW JERGENS COMPANY
Saginaw, Michigan 48605 U.S.A.
Toronto, Ontario M9W 2Z4 Canada

The professional's source for total skin care.
©1985, Sugar Beet Products Company
Write in No. 18

NEWS...

Indicators...

The latest data from three key organizations shows one experiencing healthy growth in its latest reporting period while the other two moved listlessly. The NIDA/SIDA *Industrial Distribution Index* fell an insignificant 0.3 points in November to register 146.5 on a national basis. Regionally, there were no major changes. The East rose from 138.0 to 138.4. The Midwest dropped from 130.2 to 128.6. The West dropped from 177.9 to 176.6 and the South rose from 167.1 to 169.7. A November '85 comparison with November '84 nationally shows a decline of just 0.5...Echoing the strength of the South on the NIDA/SIDA Index, SIDA's *Monthly Sales Trend Report* shows all four regions making gains in October over September for an overall increase of 13.92. Area I (NC, WV, WV) led the Southern distributors by advancing 18.11 in October. Area II (FL, GA, SC, Puerto Rico) increased 15.02 and Area III (AL, KY, MS, TN) and Area IV (AR, LA, OK, TX) moved ahead by 10.70 and 9.79 respectively. Despite this latest demonstration of vigor, the SIDA figures for October are off by 1.33 from October '84 and year-to-date '85 is a paltry 0.24 ahead of YTD '84...ASMMA's *New Order Index* for October moved up a modest 0.1 points to 119.6 for a fractional gain of .08% over September. The latest figure, while a major improvement over the lackluster performance of the Index in 1982 and 1983, continues the vacillation which began when the index dropped as low as 113.2 in March '84 and went as high as 129.1 in August of that year...The American Machine Tool Distributors' Assn. *Total Index* of orders for October '85 fell by 8.8% from September's level to 74.7. The latest figure is also 5.5% below the 79.1 registered by the Index in October of 1984.

REGIONAL REPORT

Sales turn down in November

Negative sales reports continue to dominate statistics for the second half of 1985, after the first half indicated a progressive downtrend. However, the trend has been erratic with sales gains periodically breaking through.

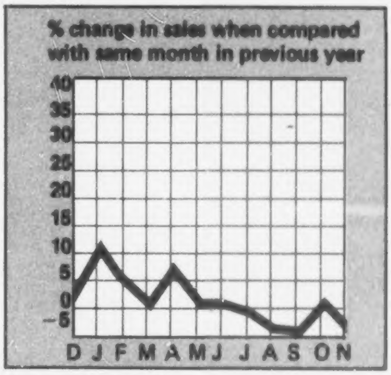
For November, national sales were off 5% compared to November '84. West South Central had the sharpest drop, 21%, while the South Atlantic region was off only 2%, the best of the negative figures. In area reporting, Wisconsin dropped 7% compared to last year while Oregon-Washington reported the only gain, 4%.

In month-to-month statistics, the results were as negative for November as they were positive for October. All of the regions and areas reporting were negative, most in double figures. The New England and East North Central areas were off the most, 18% and 15% respectively. The Pacific region reported the best figure in being off a still steep 7%. Among the areas, Oregon-Washington was down 15%, the worst of those reporting, with Georgia-Florida's negative 7% representing the best the areas could do. The U.S. total was down 13%.

The cumulative statistics, the first 11 months of '85 compared to '84, continue to cling to slightly positive figures, but with just December remaining to be reported, this too will probably prove negative for the year.☐

RECEIVABLES*	Nov '85 Gen.	Nov '85 Spec	vs. Nov '84 Gen.	Nov '84 Spec.
New England	52	48	48	48
Middle Atlantic	45	46	41	45
South Atlantic	37	37	37	37
East North Central	41	46	38	42
East South Central	—	—	—	—
West North Central	—	39	—	39
West South Central	—	43	—	44
Mountain	—	—	—	—
Pacific	36	42	38	41
National	42	43	40	42

* Average days outstanding



November sales off . . .

SALES BY REGIONS (% change)	Nov.'85 vs. Oct.'85 Gen.	Spec.	Both	Nov.'85 vs. Nov.'84 Gen.	Spec.	Both	1st 11 months'85 vs. 1st 11 months'84 Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	−19	−18	−18	−7	−10	−9	0	+3	+1
Connecticut	—	—	—	—	—	—	—	—	—
Massachusetts	−12	—	—	−9	—	—	+2	—	—
MIDDLE ATLANTIC: NY, NJ, PA	−17	−13	−14	−19	−6	−8	+2	+2	+2
New York Metropolitan Area	—	—	—	—	—	—	—	—	—
Upstate New York	—	−10	—	—	−8	—	—	+2	—
Pennsylvania	—	−13	—	—	−5	—	—	0	—
SOUTH ATLANTIC:DE, DC, MD, FL, GA, NC, SC, VA, WV	−9	−15	−12	−2	−3	−2	−3	+1	−1
Georgia-Florida	+10	−19	−7	−1	−9	−5	−1	+2	+1
EAST NORTH-CENTRAL: OH, IN, IL, MI, WI	−18	−9	−15	−7	−1	−5	+1	+4	+2
Indiana	—	—	—	—	—	—	—	—	—
Wisconsin	−17	−7	−10	+3	−10	−7	+2	+4	+3
Chicago	—	—	—	—	—	—	—	—	—
Michigan	−20	—	—	−7	—	—	+2	—	—
Ohio	−19	—	—	−6	—	—	+11	—	—
EAST SOUTH CENTRAL:AL,MS, KY, TN	—	—	—	—	—	—	—	—	—
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	−14	−11	−12	−13	−1	−5	−8	−1	−3
WEST SOUTH CENTRAL: AK, LA,OK, TX	−8	−16	−13	−10	−27	−21	−14	−9	−11
Texas	—	−24	—	—	−22	—	—	−9	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	—	—	—	—	—	—	—	—	—
PACIFIC: CA, OR, WA	−6	−14	−7	−3	−4	−3	+9	−6	+5
L.A.-San Diego	—	—	—	—	—	—	—	—	—
Oregon-Washington	−13	−17	−15	+2	+6	+4	+18	−4	+6
U.S. TOTALS	−12	−14	−13	−5	−6	−5	+1	+1	+1

3/11/86 C8650·6A

March 1986

Industrial Distribution

© TECHNICAL PUBLISHING

Hotline: Distributors wage war against business abuses

ID 75
THE YEARS OF DISCOVERY
ID 75
THE TURBULENT YEARS
1936-1961
ID 75
YEARS OF INNOVATION
1961-1986
ID 75
THE FUTURE YEARS
1986-2000
MILL SUPPLIES
Vol. 1
OOLS INC.
THE YEARS OF DISCOVERY
1911-1936

62315 4139812 W 3 192 3*
MS. JEANNE LONG/SRI ACUIS 33
CONGRESSIONAL INFORMATION **
SERVICE/EDITOR. **3
4520 EAST-WEST HIGHWAY
BETHESDA MD . 20814-

ID 75

Industrial Distribution

VOL. 75, NO. 3/75th yr. A TECHNICAL PUBLISHING PUBLICATION MARCH 1986

13
INDUSTRY NEWS
AMTDA Long Range Planning Committee report looks at machine tool distribution in 1990; NIDA/SIDA invite participation in '86 Productivity Report; University of Alabama creates Ben S. Weil Chair in distribution; Indicators; Stanley buys Bostitch Div. from Textron; Federal-Mogul and NTN form jointly owned company; Call to Action.

37
TEAM EFFORT DEPENDS ON COMMUNICATION WITH PLAYERS

53
HOTLINE
Distributors wage war against business abuses.

79
STRICTLY FOR SALESMEN
Selling what counts

81
COMPUTER UPDATE

59 COVER STORY
ID's DIAMOND JUBILEE
THE YEARS OF DISCOVERY: 1911-1936

MILL SUPPLIES
OLS INC.

Cover art by Arthur Arias

87
FOCUS ON SERVICES
Delivery services

90
MANUFACTURERS' AGENTS
When customers talk, agents listen

93
COMMENTARY:
A case for domestic supply

95
CAPSULE SALES CONCEPT
Effective feedback

9 READER SERVICE CARD
21 WASHINGTON REPORT
24 MEETINGS
29 REGIONAL REPORT
33 LIKE IT OR NOT
103 WE WERE THERE
105 NEW PRODUCTS
115 IN PRINT
119 READER SERVICE CARD
123 APPOINTMENTS
126 ADVERTISERS' INDEX
126 CLASSIFIED ADVERTISING
128 TALK OF THE TRADE

96
MARKETING/OPERATIONS IDEAS
There's still hope for dead stock with surplus inventory catalog; Get quick analysis of improvement potential; Turn floor space to upright storage; Precision tools for high-tech penetration; Heavy-duty rack for oversize stock.

Industrial Distribution, (USPS-889-860) is published monthly by Technical Publishing, a Division of Dun-Donnelley Publishing Corporation, a Company of the Dun & Bradstreet Corporation, John K. Abely, President. EXECUTIVE, EDITORIAL AND ADVERTISING OFFICES, 875 Third Ave., New York, NY 10022. (212) 605-9400. Second class postage paid at Barrington, IL 60010 and additional mailing office.

Postmaster: Send address changes to Industrial Distribution, Circulation Dept., P.O. Box 1063, Barrington, IL 60010.

Microfilm or reproductions of issues or articles are available. Write Xerox University Microfilms, Ann Arbor, MI 48106.

Indicators. . .

Two of the three key indices fell moderately in the latest reporting period while the third dipped slightly. The NIDA/SIDA *Industrial Distribution Index* fell nationally from 146.5 in November to 135.8 in December for a loss of 10.7. All regions showed a decline ranging from a high of 16.3 in the West to a low of 8.6 in the Midwest. The East and South retreated by 11.4 and 10.9 respectively. Despite the loss, the national average still stands slightly ahead, 2.5, of December '84...The November SIDA *Monthly Sales Trend Report* dropped by 10.52 compared with October for the entire association with all areas sharing in the loss. Area III (AL, KY, MS, TN), however, fared the best losing only 2.91. Area I (NC, VA, WV) dropped 11.75, Area II (FL, GA, SC, Puerto Rico) fell by 11.23 and Area IV lost 14.82. Comparing November '85 with November '84 shows a scant 5.24 decline while YTD '85 compared with YTD '84 indicates an insignificant fall of 1.61...While the ASMMA *New Order Index* for November reflected the downward trends of the other two studies, its retreat of 1.1 or .9% to a level of 118.5 is no cause for alarm although it does show a continuation of weakness from the identical highs of 125.5 that the Index registered in June and July of '85...The National Wholesale Hardware Assn. *Hardware Sales Index* for November advanced by 7.8 over October on a national basis. Changes in NWHA regions ranged from a loss of .08 in the Southwest to a healthy gain of 25.9 in the East Central states. The November '85 figure of 131.3 compares with 127.4 in November '84...According to the National Electronic Distributors Assn.' *Distribution Business Index*, daily average shipments for November showed an 8% increase over October.

Stanley buys Bostitch Div. from Textron

New Britain, CT—Textron Inc. and The Stanley Works jointly announced that they have signed an agreement for the sale of Textron's Bostitch Div. to Stanley for approximately $193 million. Stanley and Textron expect to have the transaction completed by the end of this month.

Bostitch, headquartered in East Greenwich, RI, a manufacturer of fastening tools and fasteners, had worldwide 1985 sales of more than $200 million. Bostitch employs more than 3300 personnel, about two-thirds of whom

SELL THE BEST
AND MOST COMPLETE
WINCH-HOIST LINE AVAILABLE
LUG-ALL

Profitable
Competitive
Reliable

100%
AMERICAN
MADE

DIFFERENT TYPES AND MODELS AVAILABLE
- ½ to 3-Ton Capacities
- Marine Construction Models
- Hot Line Insulated Models
- Rapid Lowering Models

SELL THE BEST!

You'll be glad that you did. Your customers will thank you with repeat orders for our popular Lug-All Winch Hoists.

LUG-ALL®
CORPORATION
HAVERFORD, PENNA. 19041

L-154 Write or phone for details: 215-527-0234

Write in No. 17

REGIONAL REPORT

Sales improve in December

Year-end 1985 sales figures from distributors located throughout the U.S. continued to indicate a lack of direction and downward drift. Despite the encouraging numbers registered by the December '85 vs December '84 index, results of distributors reporting are mixed and inconclusive.

Sales for December '85 vs. sales for December '84 increased by 6% on a nationwide basis, only the third such advance registered in the 12 months of 1985. As a result, after several expansions and numerous contractions, the year ended at about the same level that it began.

December '85 vs December '84 figures showed increases in all regions reporting with the Middle Atlantic and South Atlantic states exhibiting healthy growth of 11% and 10% respectively.

While December sales recovered from the 13% decline of November, they continued to demonstrate a lack of direction and softness, ending the month with a net loss of one percent.

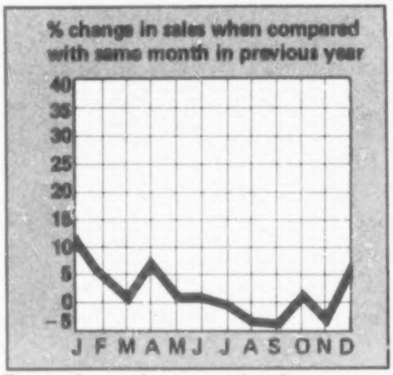
Although New England and the Middle Atlantic states showed a net gain, the other regions drifted or declined, led by a seven percent drop in the East North Central states and a six percent fall in the Pacific states.

Year-to-date '85 compared to year-to-date '84 was essentially inconclusive, showing a net gain of 1% for the nation as a whole.☐

RECEIVABLES*

	Dec '85 Gen.	Dec '85 Spec	vs Dec '84 Gen.	Dec '84 Spec.
New England	49	49	50	52
Middle Atlantic	45	45	57	47
South Atlantic	38	40	38	39
East North Central	40	39	40	40
East South Central				
West North Central		40		41
West South Central		42		47
Mountain				
Pacific	37	46	43	45
National	42	43	46	43

* Average days outstanding



December sales come back . . .

SALES BY REGIONS (% change)

	Dec.'85 vs. Nov.'85 Gen.	Spec.	Both	Dec.'85 vs. Dec.'84 Gen.	Spec.	Both	Year end total '85 vs. Year end total '84 Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	+9	+7	+8	−7	+7	+1	+1		
Connecticut		+7			+7				
Massachusetts	+10			+1			+3		
MIDDLE ATLANTIC: NY, NJ, PA	−5	+11	+8	+1	+13	+11	+2	+4	+3
New York Metropolitan Area									
Upstate New York	−9	−10	−9	+13	+1	+6	+13	+11	+12
Pennsylvania	−2	+20	+16	−14	+16	+9	−15	+6	0
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC, SC, VA, WV	−4	+4	−1	+12	+8	+10	0	0	0
Georgia-Florida	−2			+3			+2		
EAST NORTH-CENTRAL: OH, IN, IL, MI, WI	−6	−7	−7	+5	+11	+8	−1	+7	+3
Indiana									
Wisconsin	−4	−7	−6	+6	0	+2	+1	+6	+4
Chicago									
Michigan	−21			−17			−2		
Ohio	−2			+15			+1		
EAST SOUTH CENTRAL: AL, MS, KY, TN									
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	−5	−4	−4	−9	+12	+6	−8	+1	−3
WEST SOUTH CENTRAL: AK, LA, OK, TX	−2			+11			−13		
Texas									
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID									
PACIFIC: CA, OR, WA	−2	−19	−6	−4	+21	0	+6	−7	+3
L.A.-San Diego									
Oregon-Washington		+6			+1			−9	
U.S. TOTALS	−3	0	−1	+2	+11	+6	+1	+2	+1

Distributors wage war against business abuses

From the theft of inventory to embezzlement to kickbacks, employee crime is a growth industry which last year siphoned off $40 billion

NEW YORK—An employee of a Detroit distributor slips an adjustable end wrench into his coat pocket before he leaves at night . . .The purchasing manager of a San Diego distributorship receives a kickback from one of the vendors with whom he does business . . .The bookkeeper working for a Boston distributor mails a check to a dummy company that she has set up. Isolated incidents ? Hardly.

According to the Employee Theft Resource Center, a clearing house for information on employee crime established by the American Hardware Mutual Insurance Co. of Minneapolis, scenes like these are taking place around the country in virtually every business organization with such frequency that the bill for employee crime was estimated recently to be as high as $40 billon.

According to Ralph Childs, president of Childs Associates, a business security consultant who numbers more than 50 industrial distributors among his clients, there are a number of misconceptions prevalent among distributors concerning employee crime.

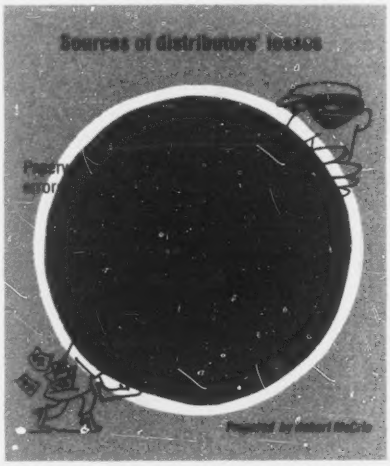
The first, says Childs, is that losses only occur in large distributorships. The fact is that distributors of all sizes from the largest to the smallest have been the victims of what Childs calls *business abuse*.

The second myth Childs mentions is that the major victims of crimes against distributors are located in major cities. Childs points out that crime is as likely to occur in a small town as a large one, citing a shortage of $91,000 from a distributor located in a town of only 3200 residents.

The third myth Childs names is that only men are responsible for losses caused by theft fraud, embezzlement or other abuse. Employee crime is an equal opportunity employer, notes Childs, with women as likely to be the perpetrators as men.

And the final myth cited by Childs is that distributors' products are difficult for a thief to get rid of. Unfortunately, this is simply not so. There are numerous outlets for merchandise stolen from distributors up to and including the distributors' own customers.

While reasons for employee dishonesty can range from an attempt by the employee to compensate himself for what he perceives as being grossly underpaid to a grudge against the owners of the firm, Arthur D'Antonio, vice president of KD&H, a New York security consulting firm, says that there are four major reasons for crimes committed by employees: the need to feed a drug habit, gambling debts, financial problems and the desire for money to pursue a romantic relationship.



Paul Maccabee, a spokesperson for the Employee Theft Resource Center, says that when employers were asked what they thought was the primary reason why employees steal, the answer was suprising. The majority of employers responded that the average employee/thief felt that they weren't paid enough and didn't consider what they were doing as *stealing*.

Robert McCrie editor of a twice-monthly newsletter, *Security Letter*, says that careful screening of potential employees can go a long way toward reducing employee crime. Screening techniques include the use of a polygraph—currently outlawed in 20 states—to determine whether a prospective worker has ever stolen before, a pre-employment written test, checking references and carefully investigating gaps in a potential employee's job history, and examination of educational and military records. Maccabee adds that such exotic techniques as voice stress analysis and even graphology are being used more frequently by employers whom, he says, "are losing millions of dollars every year and feel pushed to the wall."

According to other security experts polled by ***ID***, the key to significantly reducing crime is deceptively simple. "The single most important thing we ask employers," says Maccabee, "is to give their people advance notification of the penalty for stealing. Only 50% of the employers surveyed have an employee manual and only 25% mention the consequences of employee theft in the manual."

Ralph Childs adds that "If you don't communicate to the employee what activity is not acceptable, how do you expect him to abide by what you want to protect." Childs, a former FBI agent, feels so strongly about the need to educate employees about the unacceptability of crime that he founded the National Business Crime Prevention Network which, in addition to preparing management security guides, posters and employee brochures, runs a toll-free *hotline* where employees can report crimes with anonymity.

"The majority of employees will come through," says Childs optimistically, "because business abuse is just as distasteful to them as it is to the employer and they welcome the opportunity to avoid losses".

Doug Harper

Industrial Distribution

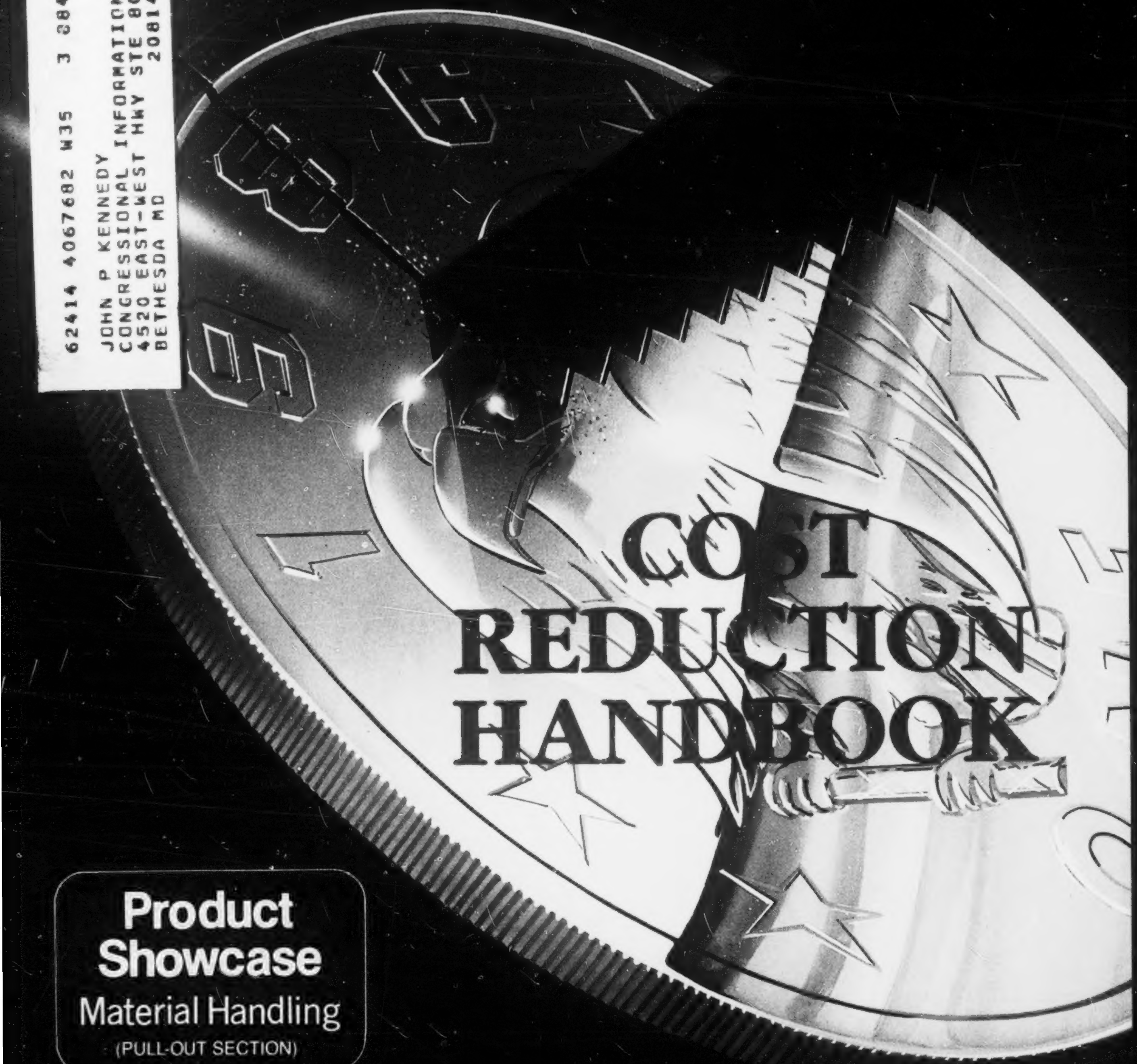
© TECHNICAL PUBLISHING

April 1986

C8650-6A

Hotline:
Distributors/suppliers see gains in declining value of U.S. dollar

62414 4067682 W35 3 884 M
JOHN P KENNEDY
CONGRESSIONAL INFORMATION
4520 EAST-WEST HWY STE 80
BETHESDA MD 20814-



COST REDUCTION HANDBOOK

Product Showcase
Material Handling
(PULL-OUT SECTION)

ID 75

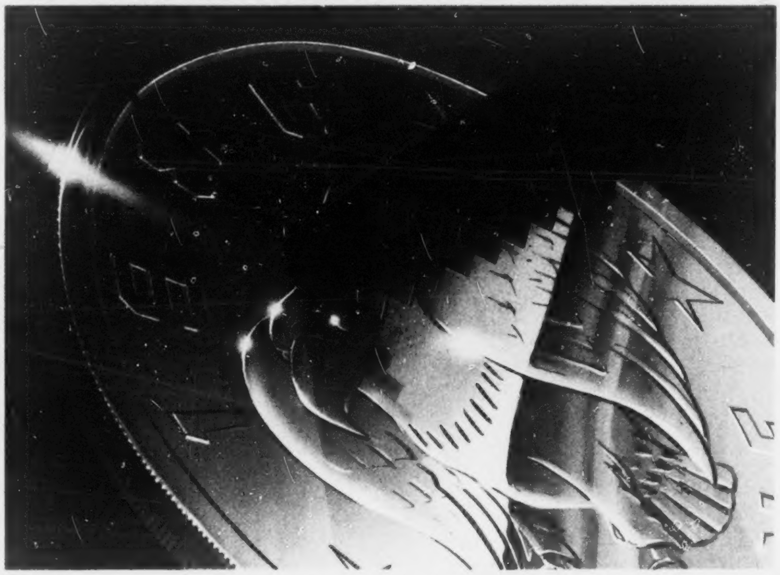
Industrial Distribution

VOL. 75, NO. 4/75th yr. A TECHNICAL PUBLISHING PUBLICATION APRIL 1986

13
INDUSTRY NEWS

New OSHA 'Hazard Communications' standard places crucial responsibility on distributors; Call to Action; Business Report debuts in ***ID,*** Indicators; Distributor forms a subsidiary to teach systems selling; Klein Tools to produce new adjustable wrench line at Kansas facility; Facom acquires S-K Hand Tool.

69 COVER STORY
COST REDUCTION HANDBOOK



Distributors have never been presented with better opportunities to cut costs and find the "best buys". To reveal some of the latest cost-cutting opportunities, ***ID*** editors interviewed a wide variety of experts.

Cover Illustration: Terry Ryan

MH1
MATERIAL HANDLING EQUIPMENT SHOWCASE

77
HOTLINE

Distributors/suppliers see gains in declining value of U.S. dollar

79
STRICTLY FOR SALESMEN

Why didn't I think of that?

81
COMPUTER/ TELECOMMUNICATIONS UPDATE

82
MARKETING/ OPERATIONS IDEAS

High-tech hand tools spell opportunity; Keep sales people in continuous training; Promotion tops best sellers list; Lift capacity of warehouse workers; Promotion puts hands on profits; Daily organizer eases year-end headaches; Grinding technology for sales, training; Promotion promises to roll in cash.

9 READER SERVICE CARD
24 READERS WRITE
25 MEETINGS
27 WASHINGTON REPORT
31 LIKE IT OR NOT
67 BUSINESS REPORT
85 READER SERVICE CARD
88 WE WERE THERE
90 APPOINTMENTS
92 CLASSIFIED ADVERTISING
94 ADVERTISERS' INDEX

Industrial Distribution, (USPS-889-860) is published monthly by Technical Publishing, a Division of Dun-Donnelley Publishing Corporation, a Company of the Dun & Bradstreet Corporation, John K. Abely, President. EXECUTIVE, EDITORIAL AND ADVERTISING OFFICES, 875 Third Ave., New York, NY 10022. (212) 605-9400. Second class postage paid at Barrington, IL 60010 and additional mailing office.

Postmaster: Send address changes to Industrial Distribution, Circulation Dept., P.O. Box 1063, Barrington, IL 60010.

Microfilm or reproductions of issues or articles are available. Write Xerox University Microfilms, Ann Arbor, MI 48106.

Indicators...

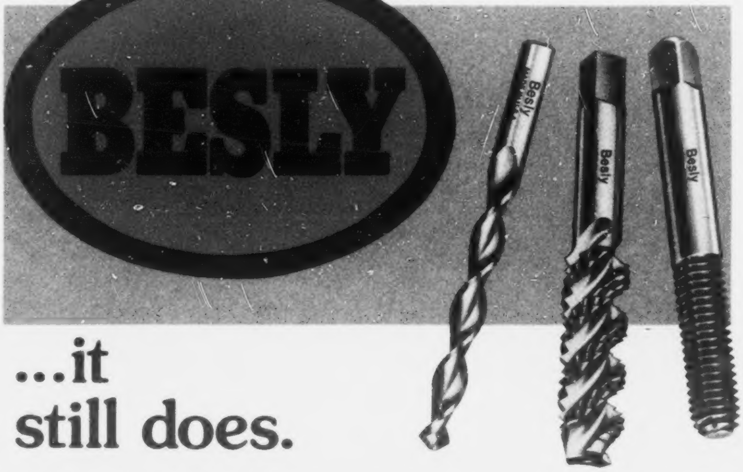
Figures from the three major indices are a mixed bag as one advanced in all regions for the current reporting period, one advanced slightly and one fell slightly. The NIDA/SIDA *Industrial Distribution Index* for January showed healthy growth nationally spurred by increases in each of the four regions. The *Index* for January '86 increased by 11.7 over December '85 reaching 145.9. Regionally, the largest gain occurred in the West which increased by 15.7 in January over the previous month. The Midwest showed a 12.9 increase while the East and South rose by 11.3 and 5.6 respectively. In a January '86/January '85 comparison, the national and regional figures all showed increases with the exception of the East which trailed its '85 figure by 7.1 points...The SIDA *Monthly Sales Trend Report* for January grew a scant 1.34 percent over the December '85 index. Gains ranged from a high of 5.18 percent in SIDA Area 3 (AL,KY,MS,TN) to a loss of 3.68 percent in Area 2 (FL,GA,SC,Puerto Rico). Area 4 comprising AR, LA, OK, and TX rose by 3.83 percent and Area 1 (NC,VA,WV) improved by 1.59 percent. Wounded by losses of 14.40 percent and 9.60 percent in Areas 1 and 3 respectively, January '86 versus January '85 for the entire area showed a loss of 4.81 percent...The December '85 ASMMA *New Order Index* receded 2.6 points to 115.9 from the previous month for a drop of 2.2 percent. The latest ASMMA figure closes the year on a lackluster note representing the lowest number recorded by the *Index* since March '84...The American Machine Tool Distributors Assn. *Total Index* of AMTDA new orders increased by a lusty 41 percent in December '85 versus the previous month to 86.6.

Distributor forms a subsidiary to teach systems selling

ORLANDO, FL—Harry P. Leu, Inc., an industrial distributor headquartered here, has announced the formation of Distributor Marketing Group (DMG), an organization that will provide distributors with instruction in the fundamentals of systems selling.

Joseph Stine, the president of Leu, says that instruction will be either by seminar, such as DMG conducted at the Central States Industrial Distributors'-Convention in Chicago last November, or "we will go to the company that needs more extensive help and work

A name that for 111 years meant quality, service, dependability to American industry...



...it still does.

Besly offers you and your customers quality tools and...

- **On Time Delivery.** Whether the need is for special or standard taps or drills, our pledge is to provide them when they're needed. Depend on it!
- **Field Service People.** They not only solve customer problems quickly and accurately but also provide leads to our distributor network.
- **Consistency.** And that consistency is always at the top level of performance and repeatability. No need ever to apologize for substandard. If we ship it, it's right!
- **Competitive Pricing.** No better quality tools are produced for less. Try us! You may be pleasantly surprised.

See Us At The Show — Booth 326

BESLY Products Corporation
South Beloit, Illinois 61080
815/389-2231 TWX 910/642-3930 800/435-2965
IN ILLINOIS 800/892-3051

Write in No. 12

The market:

efficiency opens doors to new opportunities

With *heightened efficiency for increased productivity* remaining the most urgent goal for most manufacturers, the market for material handling equipment and automated systems is increasing 15% annually, according to Frost & Sullivan, Inc., a New-York based market research firm. Business management is aware that sophisticated material handling operations lead to higher levels of production. In general, opportunities for sales of equipment and systems are increasing because material handling is keeping up with high tech and other productivity enhancing innovations.

According to Trinet Inc., an independent market research organization located in Parsippany, NJ, material handling equipment and related supplies account for annuals sales industry-wide of $6.0 billion. Products covered in this market profile include the more basic types: casters, wheels, hoists, winches, cranes, lift trucks, powered industrial trucks, hand trucks, shelf trucks, platform trucks, dollies, stackers, palletizers, storage racks, shelving and unit conveyors. Related accessories and servicing of this group increases the annual sales figure to $6.8 billion.

Frost and Sullivan indicates that two-thirds of the growth from 1984 through 1988 will result from inflation; measured in constant dollars, demand is expected to increase by about 15% during the period. Sales of some of the older types of equipment will decline while demand for the most modern systems, such as mini-load and unit-load automatic storage and retrieval systems (AS/RS) will grow rapidly.

Speculation from leading manufacturers is optimistic about *overall* market growth during the next several years. While the growth of AS/RS is being watched closely by plant engineers, the more routine methods of material handling are still a vital part of almost every plant and warehouse.

One manufacturer of shelving and steel storage equipment points out: "The automated storage and retrieval system is here to stay, but it only fits certain categories of customers because it's a very high-priced, highly technical item. The bigger customers can afford it but the smaller companies cannot. More and more distributors are solving problems on a daily basis and are called in for solutions which require traditional shelving, racks, bins, etc."

Another manufacturer of these products says companies are using height in their plants before expanding outwardly or relocating. For the distributor, this translates into opportunity to sell traditional material handling products as a means to cut costs while bringing a plant to maximum efficiency. Attention is also being placed on preventive maintenance, safety, accessibility and convenience to boost employee morale. This heightened awareness of productivity through slower, less fatiguing warehousing systems is in and of itself forcing the overall material handling market to move forward.

Many companies are also incorporating computers and high-tech equipment into storage systems built around traditional material handling products. The use of bar coding, for instance, provides substantial productivity improvements by speeding up flow of material into and out of the warehouse with little or no human error while providing detailed product identification for billing and inventory management. The market for bar code readers, in conjunction with material handling equipment, is increasing 25% annually according to Frost & Sullivan.☐

MATERIALS HANDLING EQUIPMENT MARKET

SIC		$ Million
	Manufacturing/Durable Goods	
24	Lumber & wood products	$ 217
25	Furniture, fixtures	65
32	Mineral products	183
33	Primary metals	252
34	Fabricated metals	424
35	Machinery, computers	634
36	Electrical/electronics, appliances	502
37	Transportation products	470
38	Instruments, controls, medical	90
39	Durable goods nec	35
	Subtotal	$2,872
	Manufacturing/Non-Durable Goods	
20,21	Foods & tobacco	$ 791
22,23	Textiles, apparel	259
26,27	Paper & printing	516
28,29	Chemical & oil products	693
30,31	Rubber, plastics & leather	292
39	Non-durable goods nec	24
	Subtotal	$2,512
	Non-Manufacturing	
	Mining, oil & gas extraction, pipelines	$ 88
	Construction, trade contractors, related services	91
	Trucking & warehousing	194
	Marine, air, rail & bus transportation	147
	Wholesale/retail trades	220
	Automotive & other machinery M/R services	97
	Public utilities, postal service, other government & defense	511
	All other institutional, equipment rental, other services, agriculture, consumer	68
	Subtotal	$1,416
	Total	$6,800

Source: Trinet, Inc., Parsippany, NJ.

BUSINESS REPORT

Oil's double-edged sword

Probably in no other area is the difference in regional economics more pronounced for industrial distributors than in oil exploration and production.

To be sure, falling oil prices are good for the national economy, resulting in lower energy costs, reduced inflation, and usually decreasing interest rates. But a sharp, prolonged price drop in oil makes it difficult for distributors dependent on domestic oil exploration companies for their business, to adjust to regional conditions and alter their customer base accordingly.

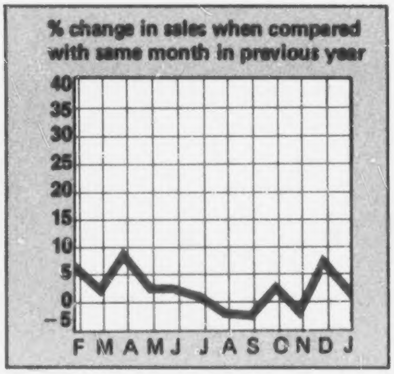
Although distributors in the southwest, particularly Louisiana and Texas, have experienced a downtrend in the oil market going back to 1982, and in many cases have made what they consider necessary adjustments, the dimensions of this break portend considerably more damage. States where shale oil is mined, Colorado for one, have seen mining brake to a halt.

Other businesses in these regions have been affected accordingly. Machine shops that buy basic materials from distributors, for example raw polyurethane and teflon forms, and fabricate them into rods and other parts for oil drilling companies, are being hurt severely. Unlike 1982, demand has not just slackened off, but dried up. With record failures in many areas, real property values have plummeted and new construction has pretty nearly died. This "domino effect" on regional business further reduces a distributor's chances to recover by trying to add new lines and gain new customers.

Ironically for these distributors, a prolonged drop in oil prices will eventually lower prices for parts made from oil-based synthetics, stimulating business demand for many distributor-sold products.

January *ID*'s Regional Report (now called Business Report) showed that nationally, distributors ran even compared to January 1985 (see graph). In month-to-month comparisons (Jan.'86 vs. Dec.'85), the figures were slightly more promising.

—Milt Ellenbogen


% change in sales when compared with same month in previous year

RECEIVABLES*

	Jan. '86 Gen.	Jan. '86 Spec	vs. Jan. '85 Gen.	Jan. '85 Spec.
New England	46	50	48	47
Middle Atlantic	48	44	47	45
South Atlantic	36	35	37	32
East No. Central	37	43	36	43
East So. Central	—	—	—	—
West No. Central	—	43	—	40
West So. Central	—	40	—	38
Mountain	—	—	—	—
Pacific	37	44	38	43
National	41	43	41	41

* Average days outstanding

SALES BY REGIONS (% change)	Jan.'86 vs. Dec.'85 Gen.	Spec.	Both	Jan.'86 vs. Jan.'85 Gen.	Spec.	Both	1st month '86 vs. 1st month'85 Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	−4	−60	−5	−10	−4	−7	−10	−4	−7
Connecticut	—	—	—	—	—	—	—	—	—
Massachusetts	−10	—	—	−7	—	—	−7	—	—
MIDDLE ATLANTIC: NY, NJ, PA	+12	−6	+2	−8	−1	−3	−8	−1	−3
New York Metropolitan Area	—	—	—	—	—	—	—	—	—
Upstate New York	—	+30	—	—	+1	—	—	+1	—
Pennsylvania	−2	−15	−10	−13	+9	−1	−13	+9	−1
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC, SC, VA, WV	−5	−2	−4	−9	−6	−8	−9	−6	−8
Georgia-Florida	−12	−8	−10	−17	−8	−12	−17	−8	−12
EAST NORTH-CENTRAL: OH, IN, IL, MI, WI	+23	+9	+16	−1	+5	+2	−1	+5	+2
Indiana	—	—	—	—	—	—	—	—	—
Wisconsin	+20	+13	+16	+4	+7	+6	+4	+7	+6
Chicago	—	—	—	—	—	—	—	—	—
Michigan	—	+7	—	—	+12	—	—	+12	—
Ohio	+24	—	—	−7	—	—	−7	—	—
EAST SOUTH CENTRAL: AL, MS, KY, TN	—	—	—	—	—	—	—	—	—
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	−4	−4	−4	−25	−2	−9	−25	−2	−9
WEST SOUTH CENTRAL: AK, LA, OK, TX	−4	+2	0	−10	+7	+1	−10	+7	+1
Texas	−14	—	—	0	—	—	0	—	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	—	—	—	—	—	—	—	—	—
PACIFIC: CA, OR, WA	+6	−2	+4	+19	+1	+14	+19	+1	+14
L.A.-San Diego	+2	—	—	+24	—	—	+24	—	—
Oregon-Washington	+19	−7	+3	+19	+10	+14	+19	+10	+14
U.S. TOTALS	+7	−1	+3	0	0	0	0	0	0

C8650-6

Industrial Distribution

May 1986

© TECHNICAL PUBLISHING

Hotline:
Distributors prod legislators on high insurance costs

62515 4139812 W 3 247
MS. JEANNE- LONG/SRI AQUIS
CONGRESSIONAL INFORMATION
SERVICE/EDITOR. 3
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814-

Preview:
TRIPLE INDUSTRIAL SUPPLY CONVENTION

Presidents: 1986-1987

Robert A. King
NIDA

James D. Horan
ASMMA

Dimitry Morvant, Jr.
SIDA

Industrial Distribution

VOL. 75, NO. 5/75th yr. A TECHNICAL PUBLISHING PUBLICATION MAY 1986

9
INDUSTRY NEWS

57
COVER STORY

The Triple:
mixing business with politics

69
HOTLINE

Distributors prod legislators on high insurance costs

FEATURES

71 1986? 2000?
The future is now

79 Distribution and
the realities of change

83 Just-in-Time:
the corporate view

Industrial Distribution, (USPS-889-860) is published monthly by Technical Publishing, a Division of Dun-Donnelley Publishing Corporation, a Company of the Dun & Bradstreet Corporation, John K. Abely, President. EXECUTIVE, EDITORIAL AND ADVERTISING OFFICES, 875 Third Ave., New York, NY 10022. (212) 605-9400. Second class postage paid at Barrington, IL 60010 and additional mailing office.

Postmaster: Send address changes to Industrial Distribution, Circulation Dept., P.O. Box 1063, Barrington, IL 60010.

Microfilm or reproductions of issues or articles are available. Write Xerox University Microfilms, Ann Arbor, MI 48106.

SALES & MARKETING

89 Engineered products:
selling vs. marketing

92 Rate your supplier

95 Telemarketing needs EDP

101 Strictly for Salesmen:
Story selling

COMPANIES

105 At Kawie Supply,
it isn't business as usual

117 Texas Mill Supply: the best little warehouse in Texas

125 General Mill Supplies:
management shows its mettle

BUSINESS & FINANCE

139 Focus on Services:
insurance

145 Quarterly Inflation Index

155 Taxing fringes in '86:
personal use of company cars

159 Corporate marketing:
high road to success

172 NIDA/SIDA distributor
productivity report preview

175
COMPUTER/
TELECOMMUNICATIONS

ASSOCIATIONS

179 Introduction to reviews

181 SIDA's 84th convention . . .
The mood for change is optimistic in the South

191 NAW 1986 . . .
The issues were cosmic

195 PTDA's 26th convention . . .
High-tech: the realities,
the commitments

199 NIBA Annual Meeting . . .
'Keep business shining!'

205 NFDA Fall Review . . .
Reforging the partnership

COMMENTARIES

211 Commentary introduction

213 Product liability

215 Systems contracts

219 A threat or a promise?

220
MARKETING/
OPERATIONS IDEAS

17 READER SERVICE CARD
29 MEETINGS
31 WASHINGTON REPORT
34 READERS WRITE
43 BUSINESS REPORT
47 LIKE IT OR NOT
229 WE WERE THERE
231 NEW PRODUCTS
241 READER SERVICE CARD
249 IN PRINT
255 APPOINTMENTS
260 CLASSIFIED ADVERTISING
261 ADVERTISERS' INDEX
262 TALK OF THE TRADE

Indicators...

Reports of business activity by three of the leading trade associations continue to demonstrate lack of direction as two declined minimally while the third rose slightly. The NIDA/SIDA *Industrial Distribution Index* for February declined by 2.4 points from January to end the month at 144.3. While regionally the East, Midwest and South all declined, the South with a drop of 5.9 showed the greatest loss. The West showed the only gain with an advance of 1.0. In a Feb. '86/Feb.'85 comparison, the national average is off by 1.7...The SIDA *Monthly Sales Trend Report* for February retreated by a miniscule 0.44 from January marked by a particulary heavy drop of 13.17 in SIDA Area IV which comprises the oil states of AR, LA, OK, and TX. Other regional results showed Area I (NC, VA, WV) falling 5.52, Area II (FL, GA, SC, Puerto Rico) advancing 7.52 and Area III (AL, KY, MS, TN) climbing 8.91. YTD '86 vs. YTD '85 shows a small loss of 0.66, again led by losses in Area IV...ASMMA's *New Order Index* for January fell 2.4 points to 118.3 from December '85. This figure is lower than all but four of the last 24 monthly ASMMA Indices...The National Assn. of Aluminum Distributors (NAAD) *Quick Pulse Index* of monthly shipments for February '86 show a 7.7 point increase over January. The latest shipment figure is the highest of the last 14 months...The National Welding Supply Assn. (NWSA) *Welding Supply Index* for February dropped 13.4 points from the previous month to 192.2. Year-to-date, the Index is currently running ahead of 1985 by 4.5%...The National Assn. of Aluminum Distributors (NAAD) reports that February shipments advanced 6.8% over January and improved by 5.9% compared with February 1985.

Stanley Works buys hand tool business from Peugeot

NEW BRITAIN, CT—The Stanley Works has announced the purchase of the hand tool business of Societe Industrielle et Commerciale Francaise D'Outillage (SIFCO), part of the Peugeot Group.

Peugeot Hand Tools' sales in 1985 were about $30 million. Sold under the Peugeot and Goldenberg trademarks, the tools are manufactured and distributed from facilities in Saverne and Valentigney in eastern France.

According to Stanley CEO and chairman, Donald W. Davis, the purchase of Peugeot's hand tool business "comple-

Capewell Saw Blades give you the edge in sales.

"I need tough blades that cut my downtime."
Russ Bu
General Manager
ARCADE TOOL COMPANY
Cleveland, Ohio

Industrial users like Russ Busse need saw blades that keep on cutting under the toughest conditions. Capewell blades give them the edge they need. And Capewell gives distributors the edge they need, too – in sales. We back you with national end-user advertising and a complete sales support package. Plus a full line of America's Best saw blades for any industrial application. Built to stay on the job. Promoted to move off your shelf.

Contact Dan Walsh at Capewell for more information. You'll find Capewell helps you do a more profitable volume of saw blade business.

Made in USA

CAPEWELL
THE SAW SPECIALIST

America's Best
CAPEWELL

60 Governor St.,
Hartford, Connecticut 06106-1932
800-243-9865 In CT (203) 522-8191

Write In No. 15

BUSINESS REPORT

Lumber leads the way

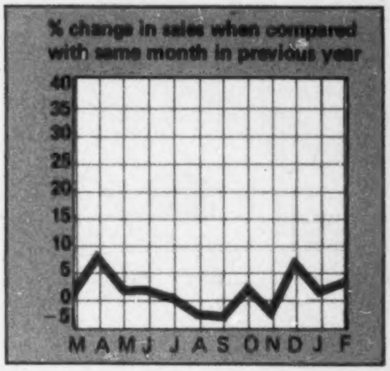
While many urban areas are reporting saturation in office construction (steel frame buildings) leaving an over-abundance of rental space, many suburban and rural areas are registering sharp increases in new home construction and housing starts (wood frame buildings), spurring demand for a variety of products required by local building contractors. Confirmation of this increased demand comes from the forest products region of the U.S. (Oregon-Washington), although it does not appear to be as robust as might be thought for distributors in this region of the country.

Distributors in Oregon report that although the lumber mills are coming back from the severely depressed days of the 1982-83 recession, they are being held back by imports of less costly Canadian lumber, which is being partly subsidized by the Canadian government. However, Aluminum companies in this region have come to life not necssarily due to increased business, but rather to the sharp reduction in energy costs. The industry recovering most firmly in this area is cabinetry and furniture, reflecting consumer demand to furnish new homes.

Distributor products serving the home construction market having the brightest prospects in this housing boom include pvf, hand tools, power tools, abrasives, and fasteners and specialty hardware. Distributors can also expect increased demand for rental equipment. An added demand in this surge are alarms and other safety and warning devices. Contractors have learned that home buyers are more than willing to pay for these extras when they're built in.

In regional reporting for February, sales increased slightly over a year ago, rising 2% (see graph). In month-to-month reporting, a better barometer of immediate trends, most areas held gains or losses to single digits and the U.S. Totals were down 2%.

Receivables show no appreciable change, but it is expected that lower interest rates will soon reduce the average days outstanding. **—Milt Ellenbogen**



RECEIVABLES*

	Feb. '86		vs. Feb. '85	
	Gen.	Spec	Gen.	Spec.
New England	55 50	51 49		
Middle Atlantic	45	44	49	45
South Atlantic	36	33	40	34
East No. Central	39	43	36	43
East So. Central	41	—	46	—
West No. Central . . .	38	—	38	—
West So. Central	—	—	—	—
Mountain	42	—	46	—
Pacific	40	43	39	44
National	42	43	43	43

* Average days outstanding

SALES BY REGIONS (% change)	Feb.'86 vs. Jan.'86			Feb.'86 vs. Feb.'85			1st two months '86 vs. 1st two months '85		
	Gen.	Spec.	Both	Gen.	Spec.	Both	Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	−2	−2	−2	−10	−5	−7	−10	−6	−7
Connecticut	—	−8	—	—	−18	—	—	−16	—
Massachusetts	+4	+1	+2	+3	−4	−3	−1	−4	−4
MIDDLE ATLANTIC: NY, NJ, PA	−15	+2	−3	0	−2	−1	+2	−1	0
New York Metropolitan Area	—	—	—	—	—	—	—	—	—
Upstate New York	−31	−16	−26	+3	−8	−2	+13	−5	+6
Pennsylvania	+8	+5	+6	−4	−3	−3	−8	+1	−2
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC, SC, VA, WV	+5	−4	+2	−1	+4	+1	−6	+2	−4
Georgia-Florida	+23	—	—	−8	—	—	−7	—	—
EAST NORTH-CENTRAL: OH, IN, IL, MI, WI	−2	−5	−4	0	+15	+7	+1	+9	+5
Indiana	+6	—	—	+10	—	—	+8	—	—
Wisconsin	−5	−4	−4	+10	+6	+6	+8	+9	+9
Chicago	—	—	—	—	—	—	—	—	—
Michigan	−15	−6	−9	−29	+33	+3	−22	+21	+2
Ohio	−5	—	—	+5	—	—	+8	—	—
EAST SOUTH CENTRAL: AL, MS, KY, TN	+23	—	—	+20	—	—	+10	—	—
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	−6	—	—	−3	—	—	−5	—	—
WEST SOUTH CENTRAL: AK, LA, OK, TX	+3	—	—	−2	—	—	−11	—	—
Texas	—	—	—	—	—	—	—	—	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	+17	+11	+14	+23	+35	+29	+11	+26	+18
PACIFIC: CA, OR, WA	−9	−4	−8	−6	−3	−5	+9	−3	+6
L.A.-San Diego	—	—	—	—	—	—	—	—	—
Oregon-Washington	−16	+2	−10	+3	+10	+6	+12	+4	+9
U.S. TOTALS	−3	−2	−2	−1	+7	+2	+1	+2	+1

ID's QUARTERLY INFLATION INDEX

The *Silver/ID* inflation rate for 1985 was only 1.41%, lower even than in the recession year of 1982, and for the fourth quarter of 1984 was actually negative. The *NIDA/SIDA Inflation Index* for 1985 was 1.75%, the lowest rate in the 19 years covered by this index, except for 1983. As our graph shows, in 1980, the first year of our index, the annual inflation rate reached 13%. See Table 2 for the 1985 inflation rate of each of the 33 industrial commodity groups in the *Silver/ID* price index.

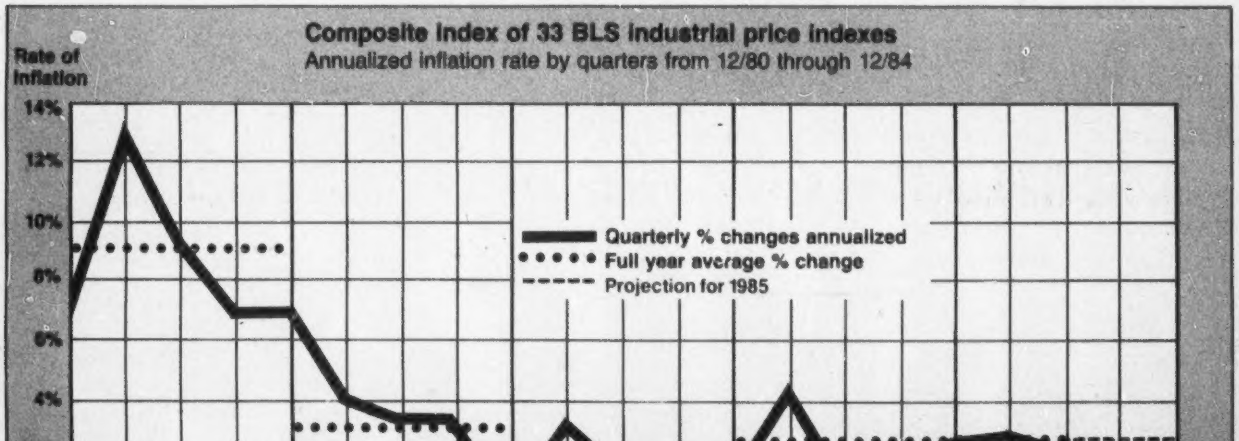
Table 1 compares the inflation rate of nine different indexes for the third and fourth quarters of 1985, and for 1985 as a whole. Note that on an annual basis the *Producers Price Index* of wholesale prices *(PPI)* for industrial commodities showed an annual rate of increase of less than 1%. Most of the indexes show a substantial drop from the inflation rate of the prior year.

For 1985 as a whole, of the 33 commodity groups in our index, 24 rose, 7 went down in price, 2 were unavailable. For the fourth quarter of 1985, on the other hand, only 15 rose, 16 declined and 2 were unchanged. The prospect seems to be deflation, especially if oil prices continue to decline.☐

Table 1—Comparing inflation indexes

	Current qtr	*BLS inflation rates(%) Year-to-date		
	9/85 vs 6/85 annualized	9/85 vs 12/84 annualized	9/85 vs 9/84	12/84 vs 12/83
Silver/ID index of 33 industrial products groups	0.72%	1.91%	2.01%	2.24%
NIDA/SIDA index of 10 industrial product groups	-0.16%	2.72%	2.22%	2.47%
**PPI index of industrial commodities	-1.84%	0.08%	0.28%	1.44%
Average of above indexes	-0.43%	1.57%	1.50%	2.05%
**PPI index of finished goods (indl/agric)	-5.56%	-1.09%	0.01%	1.85%
Silver/Wholesaler index of 13 lines (plmbg/htng	2.32%	3.63%	3.59%	4.31%
Electrical Marketing index of 24 product groups	2.44%	1.48%	1.61%	3.51%
***NAED inflation index: 16 product groups	4.16%	5.88%	5.93%	5.18%
Consumer Price Index	2.72%	3.80%	3.18%	3.95%

*Bureau of Labor Statistics (1967 = 100)
**Producers Price Index (formerly Wholesale Price Index)
***Nationaļ Assn. of Electrical Distributors (non-BLS) (1973 = 100)
NOTE: All figures are based on Bls unadjusted indexes unless otherwise noted. For the first quarter of each year, the first two columns of figures will be alike. For all other quarters, the first column will be the last quarter annualized, and the second column 9 of figures will be current year-to-date annualized. Upcoming reports will follow the above format.



Composite index of 33 BLS industrial price indexes
Annualized inflation rate by quarters from 12/80 through 12/84

ID's QUARTERLY INFLATION INDEX

Table 2—ID quarterly inflation index (1967 = 100 except where otherwise indicated)

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11
Product category	Current qtr. 9/85	Previous qtr. 6/85	% Inflation current qtr.	Current qtr. annualized %	Year-to-date 9/85 vs 12/84 %	Year-to-date 9/85vs 12/84 annualized %	Last 12 months	4th qtr. 84	4th qtr. 83	Annual inflation 84 %
[5]Industrial oil	98.5	374.0	N/A	N/A	N/A	N/A	N/A	372.7	371.7	0.27
Prepared paint	277.0	278.0	-0.36	-1.44	-0.11	-0.15	-0.14	277.3	264.9	4.68
*Rubber belts & belting	343.5	355.5	-3.38	-13.52	-0.29	-0.39	-1.09	344.5	334.1	3.11
Other misc. rubber products	301.9	300.0	0.63	2.52	-0.79	-1.05	-0.85	304.3	298.2	2.05
Plastic construction products	155.7	162.7	-4.30	-17.20	-7.76	-10.34	-7.87	168.8	170.2	-0.82
Semi-finished steel products	369.8	372.6	-0.80	-3.20	-0.86	-1.15	-1.15	373.0	370.0	0.81
Wire & cable	206.2	202.8	1.68	6.72	2.49	3.32	2.59	201.2	201.5	-0.15
[2]Electric wire & cable	103.9	103.2	0.68	2.72	0.29	0.39	0.58	103.6	103.2	0.39
[2]Building wire & cable	101.4	94.6	7.19	28.76	3.68	4.91	5.52	97.8	104.9	-6.70
Builders hardware	308.4	308.8	-0.13	-0.52	1.85	2.47	3.04	302.8	290.7	4.16
*Hand tools	375.3	373.8	0.40	1.60	2.68	3.57	4.34	365.5	351.0	4.13
*Misc. metal products	302.3	302.5	-0.07	-0.28	0.23	0.31	2.27	301.6	289.3	4.25
[1]Industrial safety equipment	143.6	143.3	0.21	0.84	2.87	3.83	5.20	139.6	133.5	4.57
*Bolts, nuts, screws & rivets (fasteners)	277.9	276.6	0.47	1.88	-0.75	-1.00	0.40	280.0	271.7	3.05
*Power-driven hand tools	233.8	231.3	1.08	4.32	3.18	4.24	3.86	226.6	220.9	2.58
Welding machines & eq.	292.8	293.0	-0.07	-0.28	2.70	3.60	3.46	285.1	273.2	4.36
*Cutting tools & accessories	286.7	285.9	0.28	1.12	1.20	1.60	2.36	283.3	275.8	2.72
Precision measuring tools	263.2	263.3	-0.04	-0.16	3.26	4.35	3.91	254.9	244.4	4.30
*Abrasive products	316.9	317.2	-0.09	-0.36	2.86	3.81	2.09	308.1	305.2	0.75
Metal cutting machine tools	398.2	396.9	0.33	1.32	0.89	1.19	2.95	394.7	379.3	4.06
Metal forming machine tools	434.2	433.8	0.09	0.36	1.28	1.71	2.00	428.7	422.6	1.44
Pumps, compressors & eq.	356.7	356.1	0.17	0.68	1.28	1.71	2.03	352.2	346.3	1.70
Fluid power eq	265.1	263.6	0.57	2.28	1.26	1.68	1.61	261.8	254.3	2.95
*Industrial material handling eq.	294.9	294.9	0.00	0.00	0.92	1.23	1.48	292.2	286.5	1.95
*Mechanical power transmission eq.	339.0	339.7	-0.21	-0.84	2.48	3.31	2.67	330.8	320.4	3.25
[2]*Metal valves, (except fluid power)	105.4	104.9	0.48	1.92	2.53	3.37	2.53	102.8	100.1	2.70
[2]*Metal pipe fittings	109.9	110.2	-0.27	-1.08	0.83	1.11	2.04	109.0	103.3	5.52
Ball & roller bearings	353.7	353.7	0.00	0.00	2.67	3.56	2.79	344.5	333.2	3.39
[4]Plain bearings	101.3	100.8	0.50	2.00	N/A	N/A	N/A	262.2	260.0	0.85
Wiring devices	363.2	360.5	0.75	3.00	0.33	0.44	1.74	362.0	341.9	5.88
Integrating & Measuring Instruments	232.1	233.1	-0.43	-1.72	0.56	0.75	0.83	230.8	223.7	3.17
[3]Electric motors	108.7	108.6	0.09	0.36	3.23	4.31	4.42	105.3	100.4	4.88
[5]Generators & generator sets	107.2	106.8	0.37	1.48	4.28	5.71	4.69	102.8	100.7	2.09
*NIDA/SIDA composite	312.8	312.9	-0.04	-0.16	2.06	2.74	2.06	306.5	299.1	2.47
Silver/ID composite	301.5	301.0	0.18	0.70	1.29	1.72	1.95	297.3	290.8	2.24

*Included in NIDA/SIDA composite

[1] 6/78 = 100 [2] 12/82 = 100 [3] 6/83 = 100 [4] 12/84 = 100 [5] 6/85 = 100

Copyright: Alan Silver & Associates

Abrasive Technology puts *you* on the cutting edge of superabrasive tooling with PBS™...a unique, patented, state-of-the-art diamond bonding system. For the first time, you'll have a product that is light years ahead of your competition. And, with Abrasive Technology's "Express Line", you can also offer your customers a high quality resin product...at a better price...faster than anyone else in the industry.

As a leader in the manufacturing of PBS,™ electroplated and resin bond diamond and CBN products, Abrasive Technology has the innovative technology to meet your customer's special and *custom* grinding needs. Our engineering staff has the expertise to design and trouble shoot all grinding applications. We also manufacture a complete line of wheels, saws, routers, special forms, mandrels, core drills, hones, custom and other superabrasive tooling.

Ask about our distributor support program and how we can put our technology to work for *you*. We'll give *you* the edge in a tough market! See us at the Triple Industrial Supply Convention—**Booth 258.**

abrasive technology, inc.

400 Green Meadows Dr. N.
Westerville, Ohio 43081
614 548-4100

Write in No. 113

ID's QUARTERLY INFLATION INDEX

Table 1—Comparing inflation indexes

	Current qtr	*BLS inflation rates(%) Year-to-date		
	12/85 vs 9/85 annualized	12/85 vs 12/84 annualized	12/85 vs 12/84	12/84 vs 12/83
Silver/ID index of 33 industrial products groups	-0.08%	1.41%	1.41%	2.24%
NIDA/SIDA index of 10 industrial product groups	-1.20%	1.75%	1.75%	2.47%
**PPI index of industrial commodities	2.48%	0.68%	0.68%	1.44%
Average of above indexes	1.20%	1.28%	1.28%	2.05%
**PPI index of finished goods (indl/agric)	9.93%	1.64%	1.64%	1.85%
Silver/Wholesaler index of 13 lines (plmbg/htng	0.92%	2.69%	2.69%	4.31%
Electrical Marketing index of 24 product groups	0.72%	1.30%	1.30%	3.51%
***NAED inflation index: 16 product groups	4.44%	4.79%	4.79%	5.18%
Consumer Price Index	3.57%	3.77%	3.77%	3.95%

*Bureau of Labor Statistics (1967 = 100)
**Producers Price Index (formerly Wholesale Price Index)
***National Assn. of Electrical Distributors (non-BLS) (1973 = 100)

NOTE: All figures are based on Bls unadjusted indexes unless otherwise noted. For the first quarter of each year, the first two columns of figures will be alike. For all other quarters, the first column will be the last quarter annualized, and the second column 9 of figures will be current year-to-date annualized. Upcoming reports will follow the above format.

(For Table 2, 4th quarter, see p. 150)

ABOUT THE AUTHOR:

Alan Silver, president, Alan Silver & Associates, Inc., Highland Park, NJ, has a background in inventory management dating back to post-WWII 1946. From 1946 to 1963, he was employed as an inventory specialist by wholesalers and distributors. Early in 1963, he formed his own consulting firm specializing in inventory management. A regular contributor to INDUSTRIAL DISTRIBUTION, Silver's latest development is a computerized inventory module which adapts to most existing systems used by distributors without requiring program modification. For copies of Alan Silver's articles, write Alan Silver & Associates, Inc., 168 Woodbridge Ave., Highland Park, NJ 08924. (201) 572-2300.

ID's QUARTERLY INFLATION INDEX...

Table 2—ID quarterly inflation index (1967 = 100 except where otherwise indicated)

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11
Product category	**Current qtr. 12/85**	**Previous qtr. 9/85**	**% Inflation current qtr.**	**Current qtr. annualized %**	**Year-to-date 12/85 vs 12/84 %**	**Year-to-date 12/85vs 12/84 annualized %**	**Last 12 months**	**4th qtr. 84**	**4th qtr. 83**	**Annual inflation 84 %**
[5]Industrial oil	98.3	98.5	-0.20	-0.80	N/A	N/A	N/A	372.7	371.7	0.27
Prepared paint	278.4	277.0	0.51	2.04	0.40	0.40	0.40	277.3	264.9	4.68
*Rubber belts & belting	336.4	343.5	-2.07	-8.28	-2.35	-2.35	-2.35	344.5	334.1	3.11
Other misc. rubber products	299.5	301.9	-0.79	-3.16	-1.58	-1.58	-1.58	304.3	298.2	2.05
Plastic construction products	155.8	155.7	0.06	0.24	-7.70	-7.70	-7.70	168.8	170.2	-0.82
Semi-finished steel products	369.8	368.8	0.00	0.00	-0.86	-0.86	-0.86	373.0	370.0	0.81
Wire & cable	205.3	206.2	-0.44	-1.76	2.04	2.04	2.04	201.2	201.5	-0.15
[2]Electric wire & cable	103.5	103.9	-0.38	-1.52	-0.10	-0.10	-0.10	103.6	103.2	0.39
[2]Building wire & cable	99.4	101.4	-1.97	-7.88	-1.64	-1.64	-1.64	97.8	104.9	-6.70
Builders hardware	311.3	308.4	0.94	3.76	2.81	2.81	2.81	302.8	290.7	4.16
*Hand tools	378.5	375.3	0.85	3.40	3.56	3.56	3.56	365.5	351.0	4.13
*Misc. metal products	302.4	302.3	0.03	0.12	0.27	0.27	0.27	301.6	289.3	4.25
[1]Industrial safety equipment	144.6	143.6	0.70	2.80	3.58	3.58	3.58	139.6	133.5	4.57
*Bolts, nuts, screws & rivets (fasteners)	276.1	277.9	-0.65	-2.60	-1.39	-1.39	-1.39	280.0	271.7	3.05
*Power-driven hand tools	235.1	233.8	0.56	2.24	3.75	3.75	3.75	226.6	220.9	2.58
Welding machines & eq.	297.1	292.8	1.47	5.88	4.21	4.21	4.21	285.1	273.2	4.36
*Cutting tools & accessories	287.4	286.7	0.24	0.96	1.45	1.45	1.45	283.3	275.8	2.72
Precision measuring tools	265.1	263.2	0.72	2.88	4.00	4.00	4.00	254.9	244.4	4.30
*Abrasive products	313.6	316.9	-1.04	-4.16	1.79	1.79	1.79	308.1	305.2	0.75
Metal cutting machine tools	395.1	398.2	-0.78	-3.12	0.10	0.10	0.10	394.7	379.3	4.06
Metal forming machine tools	437.2	434.2	0.69	2.76	1.98	1.98	1.98	428.7	422.6	1.44
Pumps, compressors & eq.	359.5	356.7	0.78	3.12	2.07	2.07	2.07	352.2	346.3	1.70
Fluid power eq	265.6	265.1	0.19	0.76	1.45	1.45	1.45	261.8	254.3	2.95
*Industrial material handling eq.	296.0	294.9	0.37	1.48	1.30	1.30	1.30	292.2	286.5	1.95
*Mechanical power transmission eq.	339.0	339.0	0.00	0.00	2.48	2.48	2.48	330.8	320.4	3.25
[2]*Metal valves, (except fluid power)	105.3	105.4	-0.09	-0.36	2.43	2.43	2.43	102.8	100.1	2.70
[2]*Metal pipe fittings	109.6	109.9	-0.27	-1.08	0.55	0.55	0.55	109.0	103.3	5.52
Ball & roller bearings	353.2	353.7	-0.14	-0.56	2.53	2.53	2.53	344.5	333.2	3.39
[4]Plain bearings	101.1	101.3	-0.20	-0.80	N/A	N/A	N/A	262.2	260.0	0.85
Wiring devices	364.2	363.2	0.28	1.12	0.61	0.61	0.61	362.0	341.9	5.88
Integrating & Measuring Instruments	232.7	232.1	0.26	1.04	0.82	0.82	0.82	230.8	223.7	3.17
[3]Electric motors	108.4	108.7	-0.28	-1.12	2.94	2.94	2.94	105.3	100.4	4.88
[5]Generators & generator sets	107.5	107.2	0.28	1.12	4.57	4.57	4.57	102.8	100.7	2.09
*NIDA/SIDA composite	311.8	312.8	-0.30	-1.20	1.76	1.76	1.76	306.5	299.1	2.47
Silver/ID composite	301.4	301.5	-0.02	-0.06	1.28	1.28	1.28	297.3	290.8	2.24

*Included in NIDA/SIDA composite

[1] 6/78 = 100 [2] 12/82 = 100 [3] 6/83 = 100 [4] 12/84 = 100 [5] 6/85 = 100

Copyright: Alan Silver & Associates

Distributor productivity report

A NIDA/SIDA preview of distributors' 1985 business

Industrial distributors came down in 1985 from the heights attained the year before. Growth slowed to 3.5% from 1984's 21.5%, a steep decline which had an adverse affect on productivity. However, both profit margin and ROI were about the same as the previous year, according to the National and Southern Industrial Distributor Assn's preview.

Although still profitable, the industry has not yet found the formula for increasing gross margins or lowering payroll expenses to achieve greater productivity, especially when experiencing mediocre sales. Although some statistics were favorable, they were by no means outstanding.

Pretax profits as a *% of gross margin* was 5.4% (1.8% on sales) in 1985 compared to 5.7% (1.7% on sales) in 1984, primarily due to a drop in interest expense.

Payroll costs as a *% of gross margin* rose to 60.1% from 58.5% in 1984, and although the gross margin per employee rose $3600, to $46,600 from $43,000, the average payroll per employee rose $2200 to $27,600 from $25,400.

Raise Gross Margin (GM):

$$\text{PPR} = \frac{\text{Payroll}}{\text{GM \$}} = \frac{\$27{,}600}{\$55{,}200} = 50\%$$

Lower Payroll Per Employee:

$$\text{PPR} = \frac{\text{Payroll}}{\text{GM \$}} = \frac{\$23{,}300}{\$46{,}600} = 50\%$$

Low productivity was the key factor in the failure of distributors to raise profits. If distributors want to reach the goal of 50% for PPR (personal productivity ratio), they must either raise the gross margin per employee with the same payroll per employee or lower the payroll per employee with the same gross margin per employee (see equation). The solution can, of course, be a combination of both.

Industrial distributors *can* increase employee productivity! The climate has never been better than it is right now. The recession of 1982-83 resulted in highly visible changes in attitudes of workers and makes the time opportune for improving productivity. The work force is psychologically ready for a change. Unions have been forced to return some wages and benefits, and to make rule changes. Employee cooperation is the best it's been in years. It's time to make a compact that rewards work by tying wage increases to productivity.

The greatest weakness for distributors trying to increase productivity is a failure to set goals. Many executives automatically grant wage increases annually, without any regard for productivity gains or losses. If sales increase, and they see a reasonable profit, they're happy.

Sales managers can play a key role here. In the past, they have strived to keep business coming in, new and old, but they have rarely been able to see the relationship of their efforts with the overall productivity of the firm. Changes in sales policy and compensation will be necessary if the firm is to see productivity improvement, and as these changes are usually accompanied by resistance from the sales manager (and the salesmen), enlisting (and rewarding) their cooperation is vital to success.

It may be a long time before we see the enormous secular growth of the past 40 years; instead, we may see low and probably no secular growth for long periods of time. Of course, some commodity lines and some firms will be the exceptions, but their growth periods will be followed by downturns. The companies that see their profits increase meaningfully each year despite slow growth, will be those that put into practice reforms geared to raising productivity.

This Distributor Productivity Report preview was compiled and written by distributor consultant George C. Webster. The complete confidential report, gleaned from the membership of the National and Southern Industrial Distributors Assns., is available to members for $90; for non-members (distributors or manufacturers) for $175. Write to NIDA, 1900 Arch St., Philadelphia, PA 19103.

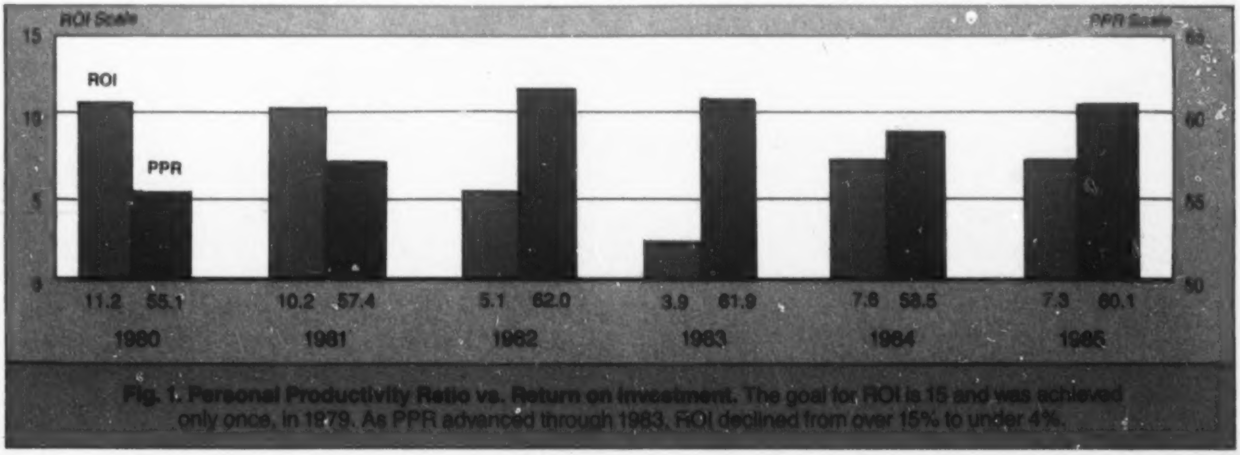


Fig. 1. Personal Productivity Ratio vs. Return on Investment. The goal for ROI is 15 and was achieved only once, in 1979. As PPR advanced through 1983, ROI declined from over 15% to under 4%.

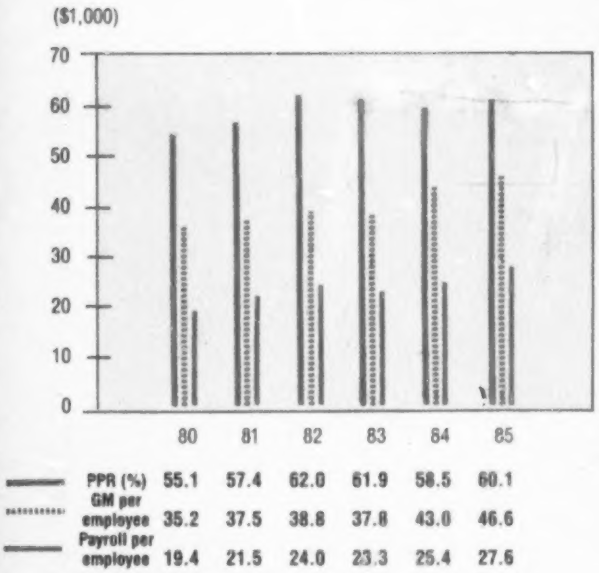


Fig. 2. Gross Margin & Payroll per Employee vs. PPR. Gross margin per employee has risen only 33% since 1979 compared to an increase in average payroll of 59%. This is key factor in failure to raise productivity.

	1980	1981	1982	1983	1984	1985
Growth in Sales	5.0	6.0	-9.7	-4.1	21.5	3.5
GM/Employee ($1,000)	35.2	37.5	38.8	37.8	43.0	46.6
Payroll % GM (PRR)	55.1	57.4	62.0	61.9	58.5	60.1
Gross margin (%)*	22.7	22.3	24.6	24.4	24.0	24.9
Accounts receivable (days)	39.0	41.0	35.6	45.5	42.7	41.7
Inventory turnover*	3.7	3.7	2.3	2.3	2.8	2.9
Return on investment (%)	11.2	10.2	5.1	3.9	7.6	7.3
Net profit before tax (% of sales)	3.0	2.5	.7	.6	1.7	1.8

**Values prior to 1982 were not always calculated on the same basis.*

Fig. 3. Trends in Key Measures. The key measures for the past several years show no major movements with the exception of sales growth, gross margin per employee, and a slight improvement in inventory turnover.

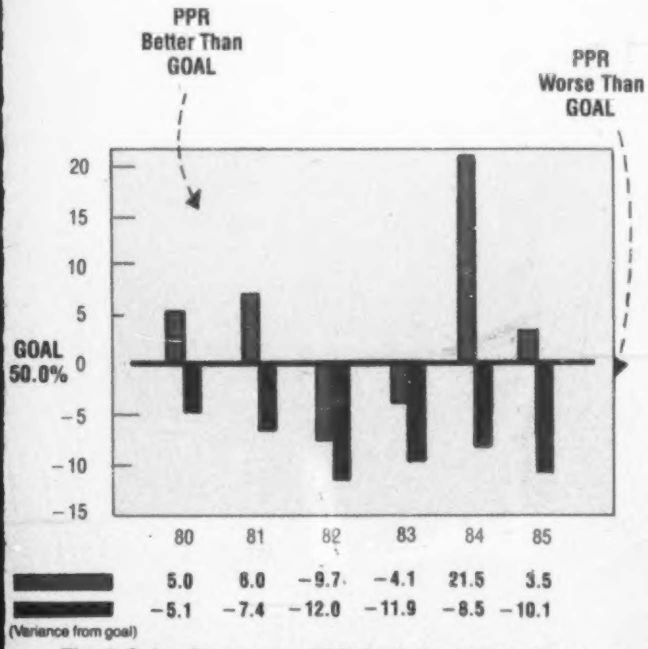


Fig. 4. Sales Change vs. PPR Goal. Productivity tends to follow sales growth. The 21.5% sales increase in 1984 should have brought the PPR closer to the 50% goal, but payroll remained high right into 1985.

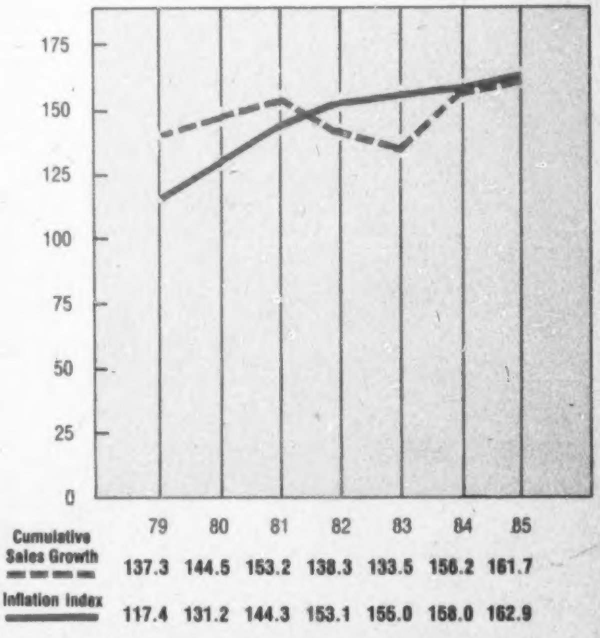


Fig. 5. Sales Growth & NIDA/SIDA Inflation Index. Distributor sales increases have failed to keep up with price increases. Without price increases over past eight years, distributors would have shown a drop in sales.

Industrial Distribution

© TECHNICAL PUBLISHING

June 1986

C8650-6A

Hotline:
Suppliers revitalize distributor networks

Also in this issue:
Planning:
One step at a time

ID 75
THE YEARS OF DISCOVERY
1911-1936
ID 75
THE TURBULENT YEARS
ID 75
YEARS OF INNOVATION
1961-1986
ID 75
THE FUTURE YEARS
1986-2000
Industrial Distribution
1956
MARKET
PRODU
ASSOC
ARMED FORCES 'E' FOR EFFORT
E

THE TURBULENT YEARS
1936–1961

62614 4067682 W35 3 199 3
JOHN P KENNEDY
CONGRESSIONAL INFORMATION
4520 EAST-WEST HWY STE 80
BETHESDA MD 20814-

ID 75 Industrial Distribution

VOL. 75, NO. 6/75th yr. A TECHNICAL PUBLISHING PUBLICATION JUNE 1986

7
INDUSTRY NEWS

FTC rules against Boise Cascade on dual distribution; SKF purchases TRW Bearing Division; Harnischfeger names Goessel chairman, Grade president; A.C. Smith buys Westinghouse division; Klein Tools acquires Vaco Products; Daimler-Benz buys controlling interest in AEG Tool parent.

37
PLANNING

One step at a time.

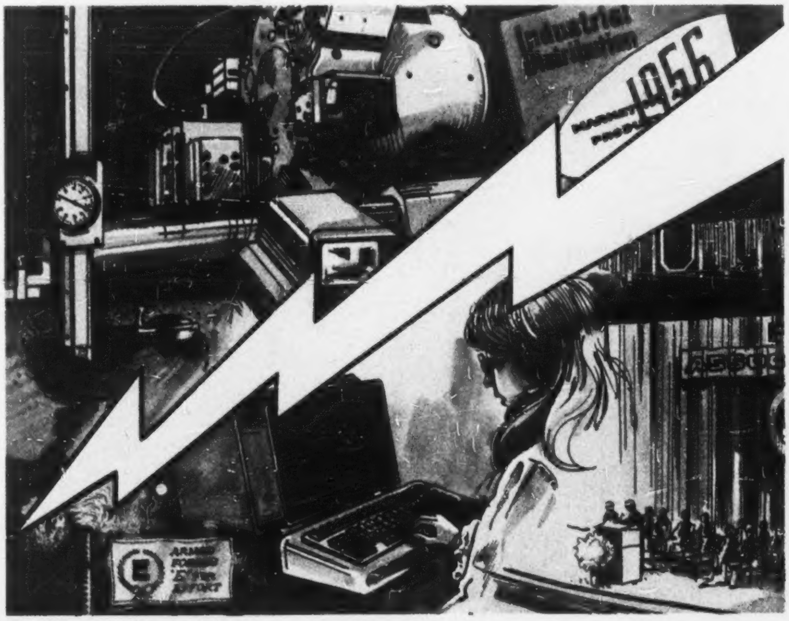
45
HOTLINE

Suppliers revitalize distributor networks

63
STRICTLY FOR SALESMEN

Smoothing credit wrinkles

47 COVER STORY
ID's DIAMOND JUBILEE
THE TURBULENT YEARS: 1936-1961



Cover art by Arthur Arias

65
COMPUTER/ TELECOMMUNICATIONS UPDATE

67
FOCUS ON SERVICES

Auto/truck sales

68
QUARTERLY INFLATION INDEX

70
MARKETING/ OPERATIONS IDEAS

Adapt marketing attack to developing trends; Safety: for all companies, all situations; Get expertise for complex acquisitions; Private labeling locks in repeat business; Promo aims to turn more heads; Display case enhances tube working sales; Lure sales with tropical vacation.

19 WASHINGTON REPORT
23 READERS WRITE
25 READER SERVICE CARD
31 MEETINGS
33 BUSINESS REPORT
35 LIKE IT OR NOT
59 READER SERVICE CARD
75 WE WERE THERE
76 NEW PRODUCTS
80 APPOINTMENTS
81 IN PRINT
82 CLASSIFIED
83 ADVERTISERS INDEX
84 TALK OF THE TRADE

Industrial Distribution, (USPS-889-860) is published monthly by Technical Publishing, a Division of Dun-Donnelley Publishing Corporation, a Company of the Dun & Bradstreet Corporation, John K. Abely, President. EXECUTIVE, EDITORIAL AND ADVERTISING OFFICES, 875 Third Ave., New York, NY 10022. (212) 605-9400. Second class postage paid at Barrington, IL 60010 and additional mailing office.

Postmaster: Send address changes to Industrial Distribution, Circulation Dept., P.O. Box 1063, Barrington, IL 60010.

Microfilm or reproductions of issues or articles are available. Write Xerox University Microfilms, Ann Arbor, MI 48106.

this investment, realizing expanded programs and new product developments. The commitment to the U.S. marketplace by AEG is now further backed by a corporation known worldwide for innovation and high standards of quality," said Ahrendt.

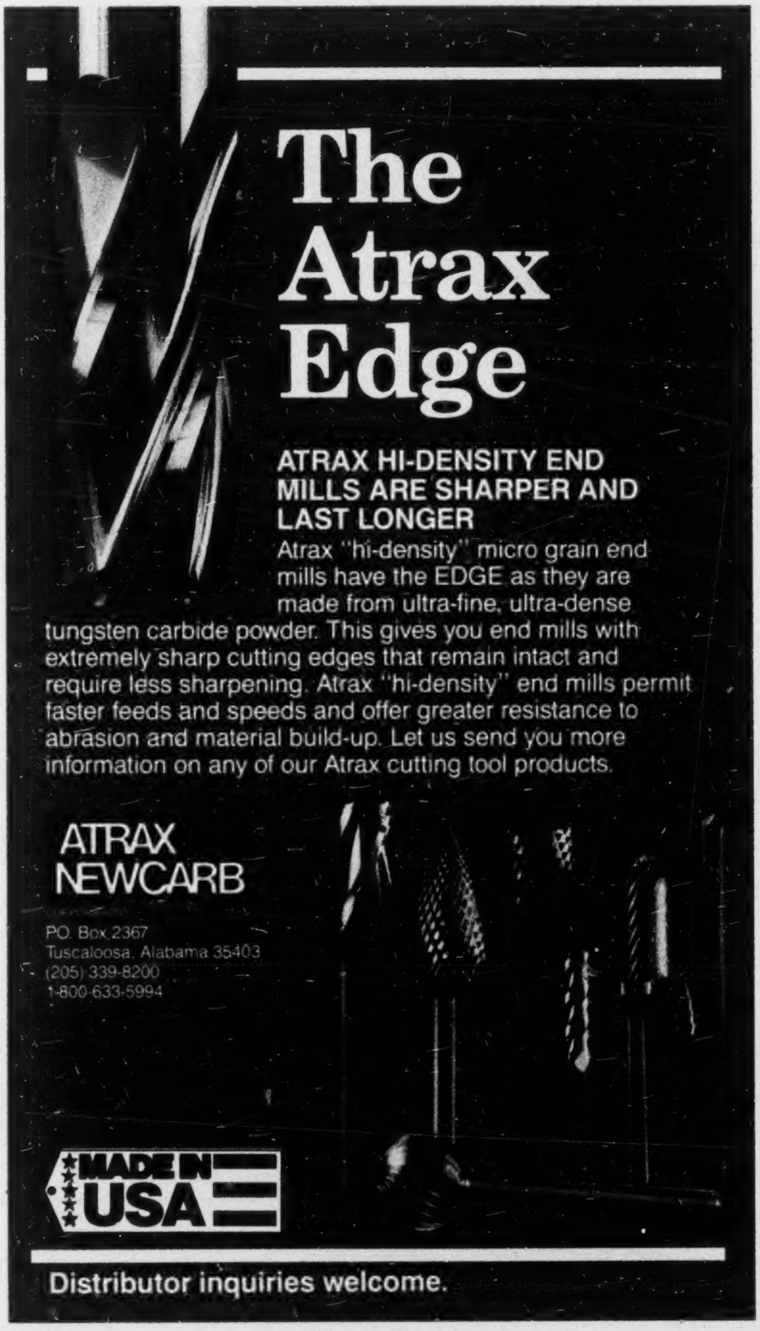
According to Daimler-Benz, AEG will maintain its complete independence and there will be no initial changes in management staff.

At the same time AEG Power Tool Corp. announced that, despite a previously planned move to the Chicago area, the company will move into a new sales, and distribution office complex in New London, CT this Fall. ☐

—Doug Harper

Indicators...

The latest indices of activity by the three leading associations continue to demonstrate a decided lack of direction as one fell, and two advanced marginally. The NIDA/SIDA *Industrial Distribution Index* for the month of March declined from the previous month by 7.4 points to end close at 136.9 on a national basis. Regionally, losses were spread evenly across the board as the East lost 6.3, the Midwest fell 7.1, the West retreated 10.3 and the South dropped 6.6. In a March '86/March '85 comparison, the current national figure is down by 3.8...SIDA's *Monthly Sales Trend Report* for March shows a net increase of 1.62 over February for the entire association with gains in every area but one. Area I comprising NC, VA and WV advanced by 7.45. Area II (FL, GA, SC, Puerto Rico) grew by 4.05 and Area IV (AR, LA, OK, TX) went up 2.77. However SIDA Area III (AL, KY, MS, TN) with a drop of 17.69 skewed the overall results. Comparing March '86 with March '85, the total figure fell by 6.34, once again the victim of Area III which plummeted by 19.89 points from a year ago...the ASMMA *New Order Index* for the month of January advanced 2.4 points to 118.3 over December '85 for a 2.1% increase. The latest figure is lower than 11 of the last 12 preceding months and just 0.1 below the January '85 level...According to the American Machine Tool Distributors' Assn. its *Distributor New Orders* index for February increased 10.7% over the January level, closing at 104.5. Compared with the 89.7 figure for February '85, the current figure represents a healthy increase of 16.5%...the National Assn. of Aluminum Distributors *Quick Pulse Index* of monthly shipments in March increased 0.7 over February for a gain of 0.6%.



The Atrax Edge

ATRAX HI-DENSITY END MILLS ARE SHARPER AND LAST LONGER

Atrax "hi-density" micro grain end mills have the EDGE as they are made from ultra-fine, ultra-dense tungsten carbide powder. This gives you end mills with extremely sharp cutting edges that remain intact and require less sharpening. Atrax "hi-density" end mills permit faster feeds and speeds and offer greater resistance to abrasion and material build-up. Let us send you more information on any of our Atrax cutting tool products.

ATRAX
NEWCARB
CORPORATION
P.O. Box 2367
Tuscaloosa, Alabama 35403
(205) 339-8200
1-800-633-5994

MADE IN USA

Distributor inquiries welcome.

Write in No. 15

BUSINESS REPORT

Mountain states booming

A combination of Federal money for road construction, the demand for products associated with the housing boom, and a revival in some of the coal and copper mines have added up to good times for many distributors in the Mountain states, most especially in Arizona, New Mexico, and Wyoming.

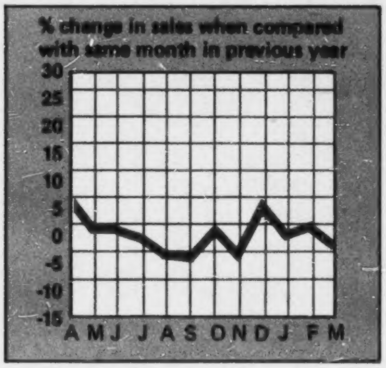
In Arizona, construction of all types are keeping distributors hopping, with Phoenix and Tuscon reporting excellent sales, not only in the area of new home construction but also in the remodelling of existing homes, as low interest rates have spurred many home owners to contract for add-ons and other improvements. Additionally, the copper industry, which has been depressed for the past several years, is slowly returning to life as several copper mines have started production again in the state.

Business is also coming in to some Mountain states from Mexico, which has lost revenue with the fall in oil prices, and is concentrating more on its domestic mining capabilities. Mexican businesses are buying in Arizona and other border states the power transmission products the country needs but does not manufacture.

In New Mexico and Wyoming, the general highway and heavy contractor market is bringing a good deal of business to distributors. Additionally, open pit strip coal mines are going great guns in both states with a heavy demand for conveyors, v-belts and chain among power transmission products, and also heavy machinery rentals. The drop in oil prices has caused prices to fall for gas and coal, keeping these fuels competitive, and increasing demand.

Colorado, Utah and Montana also report business increases in mining, road and home construction activities.

Business has not fared well in the other regions reporting year-to-year statistics for March. New England was down a sharp 12%, with West North Central and South Atlantic down 8% and 5% respectively. The Mountain region came in with the best gain at 10% with East North Central and Pacific tacking on small gains. —MILT ELLENBOGEN



RECEIVABLES*

	March '86 Gen.	March '86 Spec	vs. March '85 Gen.	March '85 Spoc.
New England	47	46	45	46
Middle Atlantic	44	43	48	44
South Atlantic	40	41	38	40
East No. Central	40	45	40	43
East So. Central	43	45	39	37
West No. Central	43	39	42	40
West So. Central	40	43	41	42
Mountain	41	51	38	51
Pacific	40	43	45	40
National	42	43	43	44

* Average days outstanding

SALES BY REGIONS (% change)	Mar '86 vs. Feb.'86 Gen.	Spec.	Both	Mar '86 vs. Mar '85 Gen.	Spec.	Both	1st three months'86 vs. 1st three months'85 Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	+10	0	+4	−15	−9	−12	−12	−7	−9
Connecticut	—	+2	—	—	−6	—	—	−16	—
Massachusetts	+8	0	+3	−3	−9	−7	−3	−6	−5
MIDDLE ATLANTIC: NY, NJ, PA	−1	+13	+9	−16	+4	−2	−8	+4	0
New York Metropolitan Area	—	—	—	—	—	—	—	—	—
Upstate New York	—	+8	—	—	+12	—	—	+4	—
Pennsylvania	−1	+6	+2	−13	−2	−8	−3	+13	+4
SOUTH ATLANTIC:DE, DC, MD, FL, GA, NC, SC, VA, WV	+4	+4	+4	−5	−6	−5	−2	−5	−3
Georgia-Florida	−3	0	−1	−1	−6	−5	−2	−6	−5
EAST NORTH-CENTRAL: OH, IN, IL, MI, WI	+3	+4	+4	+6	−1	+2	−1	+4	+1
Indiana	—	−1	—	—	−5	—	—	+3	—
Wisconsin	—	+1	—	—	−15	—	—	0	—
Chicago	—	—	—	—	—	—	—	—	—
Michigan	+10	—	—	−2	—	—	−3	—	—
Ohio	+12	—	—	−3	—	—	−6	—	—
EAST SOUTH CENTRAL:AL,MS, KY, TN	−3	+5	−1	−2	−2	−2	+6	+1	+5
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	+7	+10	+9	−9	−7	−8	−11	−6	−9
WEST SOUTH CENTRAL: AK, LA,OK, TX	−5	+4	−2	+3	−9	−3	+1	−6	−4
Texas	—	+4	—	—	−9	—	—	−6	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	+13	+10	+11	−4	+31	+10	+2	+29	+13
PACIFIC: CA, OR, WA	+12	+13	+12	+3	+5	+3	+2	+2	+2
L.A.-San Diego	—	—	—	—	—	—	—	—	—
Oregon-Washington	+20	+20	+20	+5	+14	+9	+7	+11	+7
U.S. TOTALS	+5	+7	+6	−1	−1	−1	−2	0	−1

FOCUS ON SERVICES

Auto/truck sales

Although auto/truck sales slackened in the first quarter of '86, special factors in fleet purchasing should continue to favor sales over leasing for the rest of the year.

The hot market for auto/truck sales may have cooled for the time being. Continuing low interest rates have taken a back seat to price increases from abroad (spurred by the falling dollar), with domestic price increases now coming on top of reduced demand. Distributors are also looking at tax revision and other tax legislation and wondering what kind of bills (if any) will be forthcoming. Depreciation allowance and record keeping requirements are the two key items to watch.

In truck sales, minivans and light trucks caught the favor of many small businesses in '85 and sales soared. Low cost, high mileage vehicles did the job for many distributors whose typical delivery size made just the right fit. The sharp drop in fuel costs was an added bonus. But with incentives off, and prices up, light-truck sales fell in the first quarter of '86 for all three auto makers, as well as for imports, although late (April) figures indicate that this market is turning up again while sales of autos (both foreign and domestic) remain sluggish.

The trend in leasing is for leasees to keep their cars longer and for greater mileage as monthly costs per rental continue to increase (see chart). This tends to favor buying over leasing as total monthly costs at reduced interest rates appear favorable to the buyer when compared to leasing costs.

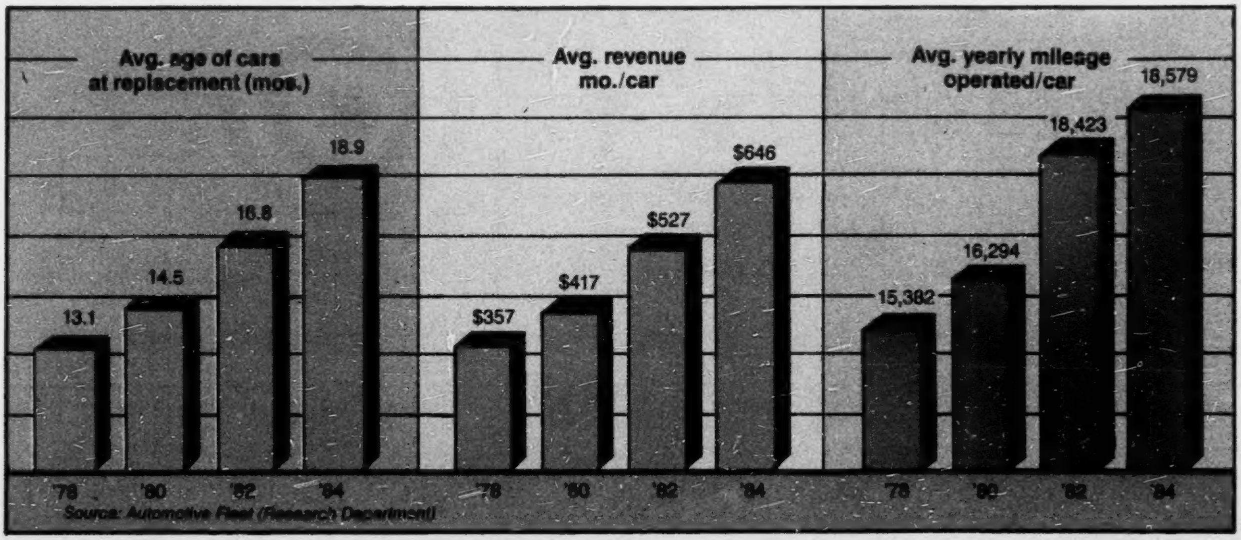
Preferences of experienced buyers may indicate the best buys in types, models and costs. The most dramatic change came in fleet demand for Pontiacs which jumped from 96,984 units in 1984 to 134,508 units in 1985, or from 6.4% of the total market to 8.5%, a gain of 33%. Plymouth suffered the biggest drop, from 6.1% down to 5.1% of total market, or 16.4%. Buicks and Fords were unchanged, Cadillacs down 13%, Chevrolets up 8%. Ford was the most popular choice having the largest market share at 21.3%; American Motors the least popular, 2%.

In light trucks, Dodge and Plymouth constitute the lion share of the market at 17.6%, up over 65% in 1985 from its 1984 market figure. Toyota is a close second at 16.3%, down 1% from last year. GM and Chevrolet are tied at 14.4% of the market, with American Isuzu losing a lot of ground, falling from 25.6% of the market in 1984 to 12.3% in 1985, or more than 50%.

Although car purchases are gaining with smaller fleet owners, the large fleets still predominantly prefer rentals. According to *Automotive Fleet*, as of the beginning of this year, businesses with 25 or more cars leased a total of 2,150,000 cars compared to 226,000 that are company owned, and 348,000 that are employee owned. However, businesses with 10 to 24 cars leased 308,000, with another 155,000 being company owned and some 300,000 employee owned.

In truck statistics (Class I, II and III combined), businesses with 25 or more light trucks leased 624,000 units while 260,000 were owned outright. Here the smaller fleets tended to follow the same pattern, as businesses with 10 to 24 light trucks leased 168,000 units with another 87,000 owned by businesses.□

Milt Ellenbogen
Managing editor



Source: Automotive Fleet (Research Department)

ID's QUARTERLY INFLATION INDEX

For the first quarter of 1986 the *Silver/ID Price Index* rose at an annualized rate of 3.27%. But because many vendors raise their prices in the first quarter of the calendar year, the actual annual inflation is usually substantially less. The actual annual inflation rate in the last four years has averaged about 60% of the annualized rate for the first quarter. Based on this experience, it would therefore seem likely that the actual inflation rate for our index for 1986 will be about 2%—which is what it was for the calendar year 1985.

However, the substantial drop in the price of oil in the first quarter has yet to register on industrial prices. As it impacts industrial prices it is bound to reduce the inflation rate. The actual inflation rate for this calendar year is thus likely to be 1% or less—the lowest rate since the recession year of 1982.

Our indexs goes back to 1979. Its rise since the end of 1978 is 31.08%. The rise for the *NIDA/SIDA Index* for the same period is 32.71%☐

Compiled by Alan Silver Associates, Inc., Highland Park, NJ

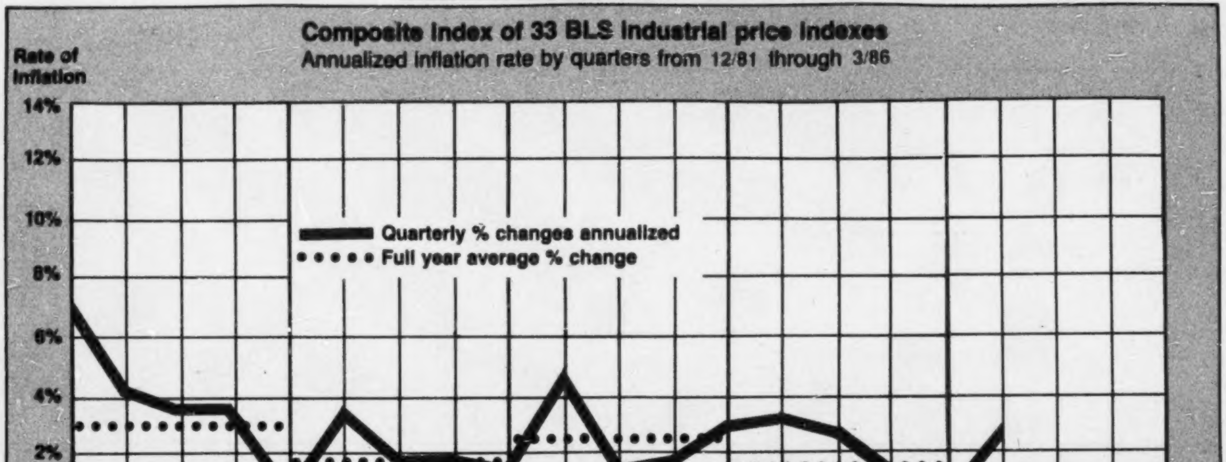
For copies of Alan Silver's articles, write: Alan Silver & Associates, Inc., 168 Woodbridge Ave., Highland Park., NJ 08904 (201) 572-2300.

Table 1—Comparing inflation indexes

	*BLS inflation rates(%)			
	Current qtr	Year-to-date		
	3/86 vs 12/85 annualized	3/86 vs 12/85 annualized	3/86 vs 3/85	12/85 vs 12/84
Silver/ID index of 33 industrial products groups	3.27%	3.27%	1.53%	0.98%
NIDA/SIDA index of 10 industrial product groups	2.04%	2.04%	0.88%	1.75%
**PPI index of industrial commodities	-13.76%	-13.76%	-2.67%	0.68%
Average of above indexes	-2.82%	-2.82%	-0.09%	1.14%
**PPI index of finished goods (indl/agric)	-11.56%	-11.56%	-1.33%	1.64%
Silver/Wholesaler index of 13 lines (plmbg/htng	3.66%	3.66%	2.58%	2.63%
Electrical Marketing index of 24 product groups	4.64%	4.64%	1.65%	0.80%
***NAED inflation index: 16 product groups	N/A	N/A	N/A	4.78%
Consumer Price Index	-1.72%	-1.72%	2.24%	3.77%

*Bureau of Labor Statistics (1967 = 100)
**Producers Price Index (formerly Wholesale Price Index)
***National Assn. of Electrical Distributors (non-BLS) (1973 = 100)

NOTE: All figures are based on Bls unadjusted indexes unless otherwise noted. For the first quarter of each year, the first two columns of figures will be alike. For all other quarters, the first column will be the last quarter annualized, and the second column 9 of figures will be current year-to-date annualized. Upcoming reports will follow the above format.


Composite index of 33 BLS industrial price indexes
Annualized inflation rate by quarters from 12/81 through 3/86

© 1985 by Alan Silver

ID's QUARTERLY INFLATION INDEX

Table 2—ID quarterly inflation index (1967 = 100 except where otherwise indicated)

Col. 1 Product category	Col. 2 Current qtr. 3/86	Col. 3 Previous qtr. 12/85	Col. 4 % inflation current qtr.	Col. 5 Current qtr. annualized %	Col. 6 Year-to-date 3/86 vs 12/85 %	Col. 7 Year-to-date 3/86vs 12/85 annualized %	Col. 8 Last 12 months	Col. 9 4th qtr. 85	Col. 10 4th qtr. 84	Col. 11 Annual inflation 85 %
[5]Industrial oil	102.3	98.3	4.07	16.28	4.07	16.28	–	98.3	372.7	–
Prepared paint	280.0	278.4	0.57	2.28	0.57	2.28	0.11	278.4	277.3	0.40
*Rubber belts & belting	337.5	336.4	0.33	1.32	0.33	1.32	-4.88	336.4	344.5	-2.35
Other misc. rubber products	304.8	299.5	1.77	7.08	1.77	7.08	0.59	299.5	304.3	-1.58
Plastic construction products	159.2	155.8	2.18	8.72	2.18	8.72	-0.13	155.8	168.8	-7.70
Semi-finished steel products	367.6	369.8	-0.59	-2.36	-0.59	-2.36	-1.26	369.8	373.0	-0.86
Wire & cable	206.5	205.3	0.58	2.32	0.58	2.32	1.62	205.3	201.2	2.04
[5]Electric wire & cable	103.4	103.5	-0.10	-0.40	-0.10	-0.40	0.10	103.5	103.6	-0.10
[5]Building wire & cable	102.2	99.4	2.82	11.28	2.82	11.28	4.82	99.4	97.8	1.64
Builders hardware	312.7	311.3	0.45	1.80	0.45	1.80	1.33	311.3	302.8	2.81
*Hand tools	382.2	378.5	0.98	3.92	0.98	3.92	2.88	378.5	365.5	3.56
*Misc. metal products	303.6	302.4	0.40	1.60	0.40	1.60	0.56	302.4	301.6	0.27
[1]Industrial safety equipment	148.5	144.6	2.70	10.80	2.70	10.80	2.56	144.6	139.6	3.58
*Bolts, nuts, screws & rivets (fasteners)	275.4	276.1	-0.25	-1.00	-0.25	-1.00	-0.69	276.1	280.0	-1.39
*Power-driven hand tools	235.9	235.1	0.34	1.36	0.34	1.36	1.29	235.1	226.6	3.75
Welding machines & eq.	299.2	297.1	0.71	2.84	0.71	2.84	4.51	297.1	285.1	4.21
*Cutting tools & accessories	289.8	287.4	0.84	3.36	0.84	3.36	1.44	287.4	283.3	1.45
Precision measuring tools	268.3	265.1	1.21	4.84	1.21	4.84	2.56	265.1	254.9	4.00
*Abrasive products	313.2	313.6	-0.13	-0.52	-0.13	-0.52	0.55	313.6	308.1	1.79
Metal cutting machine tools	399.1	395.1	1.01	4.04	1.01	4.04	0.81	395.1	394.7	0.10
Metal forming machine tools	436.4	437.2	0.27	1.08	0.27	1.08	1.27	437.2	428.7	1.98
Pumps, compressors & eq.	357.9	359.5	-0.45	-1.80	-0.45	-1.80	0.59	359.5	352.2	2.07
Fluid power eq	266.7	265.6	0.41	1.64	0.41	1.64	1.41	265.6	261.8	1.45
*Industrial material handling eq.	296.3	296.0	-0.24	-0.96	-0.24	-0.96	0.44	296.0	292.2	1.30
*Mechanical power transmission eq.	342.2	339.0	0.94	3.76	0.94	3.76	2.06	339.0	330.8	2.48
[2]*Metal valves, (except fluid power)	106.2	105.3	0.85	3.40	0.85	3.40	1.82	105.3	102.8	2.43
[2]*Metal pipe fittings	111.8	109.6	2.01	8.04	2.01	8.04	2.38	109.6	109.0	0.55
Ball & roller bearings	354.2	353.2	0.28	1.12	0.28	1.12	1.99	353.2	344.5	2.53
[4]Plain bearings	101.1	101.1	0.00	0.00	0.00	0.00	0.50	101.1	282.2	–
Wiring devices	372.7	364.2	2.33	9.32	2.33	9.32	3.44	364.2	362.0	0.61
Integrating & Measuring Instruments	234.8	232.7	0.90	3.60	0.90	3.60	1.91	232.7	230.8	0.82
[5]Electric motors	107.8	108.4	-0.55	-2.20	-0.55	-2.20	-0.65	108.4	105.3	2.94
[5]Generators & generator sets	107.9	107.5	0.37	1.48	0.37	1.48	4.66	107.5	102.8	4.57
*NIDA/SIDA composite	313.4	311.8	0.51	2.04	0.51	2.04	0.88	311.8	306.5	1.76
Silver/ID composite	303.9	301.4	0.82	3.27	0.82	3.27	1.28	301.4	297.3	1.41

*Included in NIDA/SIDA composite

[1] 6/78 = 100 [2] 12/82 = 100 [3] 6/83 = 100 [4] 12/84 = 100 [5] 6/85 = 100

Copyright: Alan Silver & Associates

C8650-6A

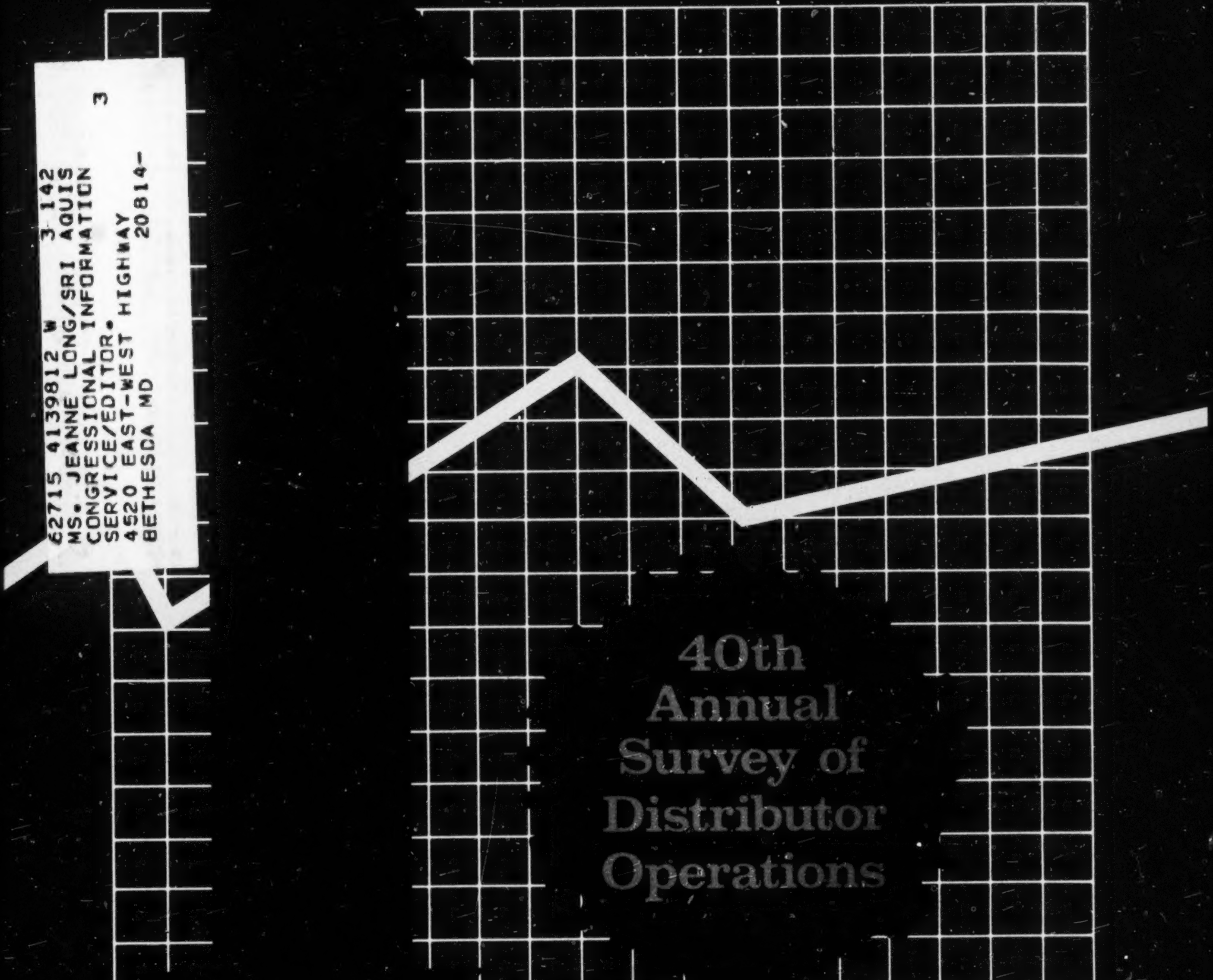
Industrial Distribution

© TECHNICAL PUBLISHING

July 1986

Hotline:

Distributors unduly concerned over rash of leveraged buyouts



40th Annual Survey of Distributor Operations

62715 4139812 W 3 142
MS. JEANNE LONG/SRI AQUIS
CONGRESSIONAL INFORMATION
SERVICE/EDITOR. 3
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814-

Industrial Distribution

VOL. 75, NO. 7/75th yr. A TECHNICAL PUBLISHING PUBLICATION JULY 1986

13
INDUSTRY NEWS
Skil Corp. strengthens industrial distribution with new personnel products and sales incentives; Hilti supplements direct sales with distributor network; Three California distributors join forces; Black & Decker sued for patent infringement on drill safety feature; NIDA president King delegate to White House Conference; 3800 attend 1986 TIS Convention in Washington D.C.

51
HOTLINE
Distributors unduly concerned over rash of leveraged buyouts.

53
OHMORI, JAPAN
Japan's three-tiered distribution.

59
STRICTLY FOR SALESMEN
Tactics for tactics.

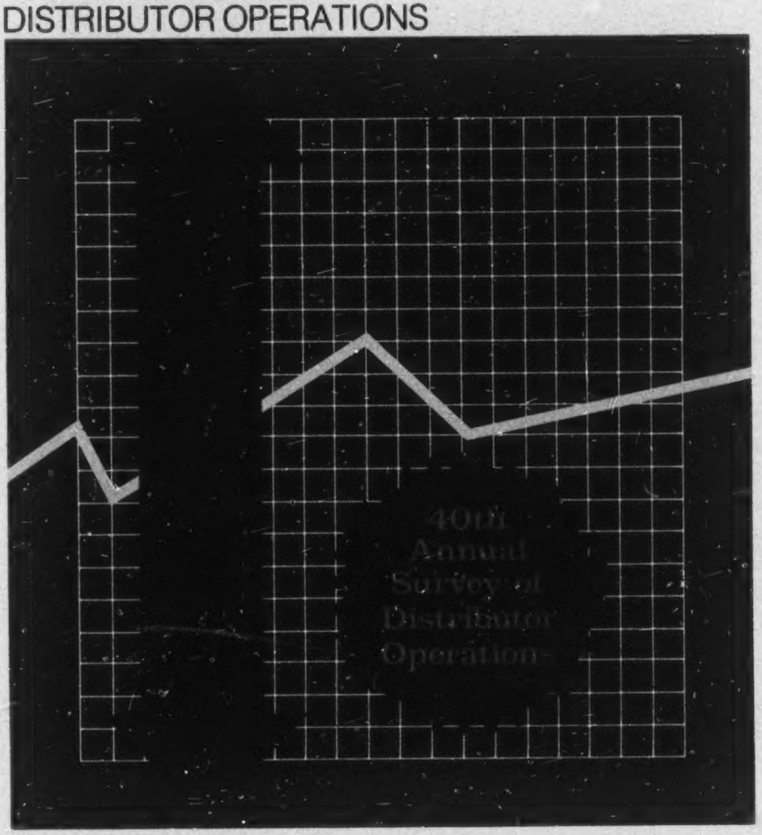
61
FOCUS ON SERVICES
Telecommunications

Industrial Distribution, (USPS-889-860) is published monthly by Technical Publishing, a Division of Dun-Donnelley Publishing Corporation, a Company of the Dun & Bradstreet Corporation, John K. Abely, President. EXECUTIVE, EDITORIAL AND ADVERTISING OFFICES, 875 Third Ave., New York, NY 10022. (212) 605-9400. Second class postage paid at Barrington, IL 60010 and additional mailing office.

Postmaster: Send address changes to Industrial Distribution, Circulation Dept., P.O. Box 1063, Barrington, IL 60010.

Microfilm or reproductions of issues or articles are available. Write Xerox University Microfilms, Ann Arbor, MI 48106.

37 COVER STORY
40th ANNUAL SURVEY OF DISTRIBUTOR OPERATIONS



Cover illustration by Arthur Arias.

9 READER SERVICE CARD
25 MEETINGS
27 WASHINGTON REPORT
31 READERS WRITE
33 BUSINESS REPORT
35 LIKE IT OR NOT
63 6 MONTH ARTICLE INDEX
69 WE WERE THERE
70 NEW PRODUCTS
79 READER SERVICE CARD
82 IN PRINT
84 APPOINTMENTS
86 CLASSIFIED ADVERTISING
88 ADVERTISERS' INDEX

65
COMPUTER/TELECOMMUNICATIONS UPDATE

67
MARKETING/ OPERATIONS IDEAS
Guide aims to improve customer satisfaction; Long-distance surveys help shave phone bills; Move up to save warehouse space; 214-page valve catalog: "Made in the U.S.A."; Distributor role in JIT defined in Survival Kit.

INDUSTRY NEWS...

& Decker's reasons for selling the industrial air tool business:

- To be a dominant factor in the industrial air tool business requires an extremely broad line of tools, many of which are specialty- type product for unique applications and thus offer very low volume potential.
- Though we share a similar distribution network between industrial electric and air products, the selling task is substantially different. Air products require a great deal of specialization unique only to this product category.
- Finally, the industrial air market is dominated by a few major compet-

Indicators...

The most recent sales data available from the three key associations show one advancing moderately, one advancing slightly and one declining slightly. According to the NIDA/SIDA *Industrial Distribution Index* for April, on a national basis the Index rose 7.4 points over March closing at 144.3. Every area of the country moved ahead. The East gained 5.8, the Midwest rose 5, the West grew an impressive 16 points and the South moved ahead by 6 points. Despite the move upward in April '86, the Index still trails April '85 by 3.7...SIDA's *Monthly Sales Trend Report* for March showed a negligible 1.62 increase over February, primarily the result of a 17.69 drop in SIDA Area III which comprises AL, KY, MS, and TN. The other SIDA areas fared better: Area I (NC, VA, WV) increased by 7.45, Area II (FL, GA, SC, Puerto Rico) advanced 4.05 and Area IV (AR, LA, OK, TX) gained 2.77. In a March '86/March '85 comparison, the current month is down 6.34 from last year, resulting from losses in three of the four regions particularly Area III which fell 19.89 from March '85...the ASMMA *New Order Index* for March fell 3.7 points or 3.1% from February to close at 116.4. The figure is the lowest reported in 1986 and lower than all but three of the last 27 months...The American Machine Tool Distributors' Assn. (AMTDA) Index of *Distributor New Orders* for March shows an increase of 7.9% over February to close at 112.8. The figure is 1.3% behind the March 1985 Index of 114.3...According to the National Electronic Distributors Assn. (NEDA), both bookings and shipments declined in April from the previous month. Bookings fell by 4% from March but exceeded April '85 by 25% while shipments dropped 5% but registered a 10% increase over April '85.

ALL YOU NEED TO MAKE ENDS MEET.

The Gustin-Bacon full-line catalog is all you need to successfully enter the grooved piping business. And grooving is the growth segment of the business.

As a leading manufacturer of grooved piping systems, the Gustin-Bacon division of Tyler Pipe is your new source for roll-grooving and pipe preparation tools, couplings, fittings, and specialty products like aluminum, segweld steel and plain-end fittings.

Gustin-Bacon also offers you a simplified ordering system, and knowledgeable, concerned representatives in every major metropolitan area.

So if you're making a move into grooved piping, see Gustin-Bacon for everything you need to make ends meet. Call 800-527-8478 (in Texas, 800-442-8298), or write the Gustin-Bacon division of Tyler Pipe, Box 2027, Tyler, TX 75710.

Tyler Pipe
Subsidiary of Tyler Corporation
Write in No. 17

GUSTIN-BACON
MECHANICAL PIPING PRODUCTS
PIPE CO
ALL PRO

© 1986 Tyler Pipe

BUSINESS REPORT

Midwest doldrums persist

Despite a few areas in the midwest showing signs of coming out of the long business slump following the turnaround in 1984, the midwest doldrums persist as reports of lackluster sales continue to dominate the BUSINESS REPORT returns.

The heavily industrialized midwest, with Chicago at the center, is significant in this industry since traditionally this area is believed to signal that if a turnaround is impending, it will happen here first.

For a handful of distributors in the region, the turnaround is here. In southern Michigan, for example, the food processing industry (Kelloggs, Post) has picked up. Also on the move in the midwest are cutting tools and machine tools along with general industrial supplies. But in Benton Harbor in southwest Michigan, most of the job shops dependent on the automotive industry are still in decline.

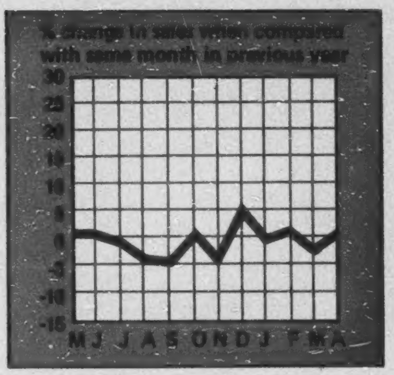
With 1986 the year for contract renewals in the automotive industry, manufacturers, it appears, have already stockpiled autos in anticipation of strikes, causing the present sluggishness in dependent businesses.

The Chicago area has been flat for the past several months, with business reported slow at the local tool and die shops that are also automotive related. But some new business is forthcoming from suppliers of electronics tools and fasteners, as industrial distributors report some new start ups of electronics-related businesses.

Nationally, sales increased slightly from last year, up only 1% (see graph). However, month-to-month statistics, more indicative of immediate business conditions, show an improvement of 6% (see Regions below). Cumulative reporting, the first 4 months of 1986 compared to the same period in 1985, averages out to only a 1% gain.

Receivables (days outstanding) have dropped two days for both general liners and specialists since February, perhaps reflecting the benefits of low inflation and low interest rates.

—MILT ELLENBOGEN



RECEIVABLES*

	April '86 Gen.	April '86 Spec	April '85 Gen.	April '85 Spec.
New England	40	46	41	45
Middle Atlantic	43	45	47	44
South Atlantic	40	34	36	34
East No. Central	41	36	41	40
East So. Central	40	24	41	28
West No. Central	36	—	38	—
West So. Central	37	42	—	39
Mountain	34	40	39	45
Pacific	41	44	43	43
National	39	39	41	40

* Average days outstanding

SALES BY REGIONS (% change)

	Apr.'86 vs. Mar.'86 Gen.	Spec.	Both	Apr '86 vs. Apr '85 Gen.	Spec.	Both	1st four months'86 vs. 1st four months '85 Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	+10	0	+5	−4	−9	−6	−10	−5	−7
Connecticut	—	—	—	—	—	—	—	—	—
Massachusetts	−3	—	—	−5	—	—	−3	—	—
MIDDLE ATLANTIC: NY, NJ, PA	+15	+2	+5	+7	+9	+2	−5	+2	0
New York Metropolitan Area	+7	−6	−2	0	+9	+5	−7	+3	−1
Upstate New York	—	+15	—	—	0	—	—	+2	—
Pennsylvania	+17	+10	+11	+17	+8	+9	+2	0	0
SOUTH ATLANTIC:DE, DC, MD, FL, GA, NC, SC, VA, WV	+6	0	+3	−4	+2	−1	−5	−3	−4
Georgia-Florida	+7	−1	+1	+6	−2	0	0	−5	−4
EAST NORTH-CENTRAL: OH, IN, IL, MI, WI	+6	+8	+7	+5	+14	+9	+1	+8	+4
Indiana	—	+16	—	—	+10	—	—	+5	—
Wisconsin	+4	+6	+5	+24	+7	+12	+23	+2	+7
Chicago	—	—	—	—	—	—	—	—	—
Michigan	+11	+14	+13	+15	+22	+19	0	+11	+7
Ohio	−2	+29	+1	−4	+5	−3	+24	−7	+20
EAST SOUTH CENTRAL:AL,MS, KY, TN	+16	+12	+15	+19	−13	+9	+10	−5	+6
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	+17	+17	+17	0	+1	+1	−6	−3	−5
WEST SOUTH CENTRAL: AK, LA,OK, TX	+1	−29	−22	+2	−14	−10	−5	+7	+4
Texas	—	+15	—	—	+3	—	—	−7	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	+1	−32	−14	+5	0	+3	+3	+22	+11
PACIFIC: CA, OR, WA	+14	+12	+13	+11	−3	+6	+8	0	+5
L.A.-San Diego	+16	+13	+15	+15	−7	+12	+11	+5	+10
Oregon-Washington	+11	+15	+13	+6	−5	−1	+7	−5	0
U.S. TOTALS	+11	+1	+6	+4	−2	+1	0	+2	+1

4

Sales manage slight increase in 1985

Although industry sales for distribution hit $50 billion in 1985, the increase, when adjusted for inflation, was small as were profits. Coming on top of some sparkling statistics for 1984, which followed a recession year, 1985's performance was, with the exception of certain categories for specialists, unimpressive.

Indicative of the national business climate in 1985 was the meager 2.2% gain in the Federal Reserve Board's *Index of Industrial Production* (see graph), when compared with the 11.5% gain it registered in '84 vs. '83. Although Distributor Sales Volume was up 5.7% at $50.1 billion compared to $47.4 billion in 1984, when adjusted for an approximate 3% inflation rate, the gain is pared to only 2.7%.

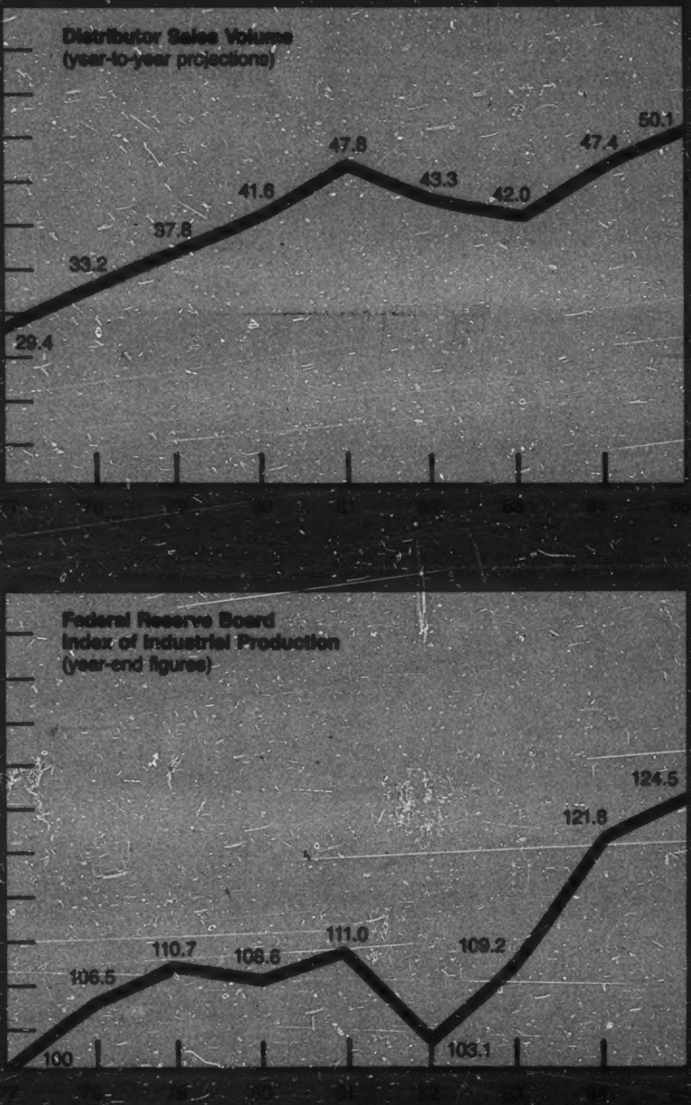
Overall examination of business figures such as gross profit, net profit before and after taxes, and return on investment, reveals that specialists fared better than general line distributors. This difference surfaces throughout the survey in almost all categories, stock turns being one of the few exceptions. For complete business data see *Profit and Loss*, *Operating Costs*, *Inventory Data*, *Business Trends* and *Personnel Statistics* graphs and analyses.

Profit squeeze

In addition to foreign competition coupled with the high U.S. dollar driving down the cost of imported products, a further decline in inflation made price increases hard to justify. In order to increase profits, many distributors concentrated on cutting their operating costs, computerized additional business functions (see *Computer Data*), and put a freeze on hiring. These were the *in* things to do in 1985, but nevertheless, increased profits proved elusive. With many manufacturing areas sluggish, demand for OEM and MRO products were off (although products related to the defense industry were generally in high demand).

Distributors tried to increase their sales volume by either starting or increasing system selling programs. About 33% of general liners and 25% of

Industrial Distributor Sales Trends



The year at a glance

- Gross profit: general line up, specialists up
- Before-tax net: general line even, specialists up
- Operating costs: general line up, specialists down
- Return on investment: general line down, specialists up

specialists were involved in some type of system selling program in 1985, each figure up nearly 10% from 1984. Obviously not all were successful, as of this total, the largest number or about 35% reported that their effort resulted in bringing in business which accounted for only 5 to 10% of total sales. The next 20% reported 10 to 20% of total sales were system selling related; 6.5% indicated up to 30% of their sales included-systems selling. Further business expansion, it turned out, was not to be for most distributors in 1985, but put off, or considered in 1986.

Tempered optimism

In 1986, despite the disappointment following the poor first quarter, a firm but tempered optimism was revealed in the section of the survey on planning.

Nearly half of the respondents forecasted double digit sales increases in 1986, representing virtually all regions of the country, as indicated below. The predictions were lower by 2 percentage points from those forecasted for 1985. Price increases were also set lower for this year.

Of the mixed predictions of the remaining 50%, the next largest category, 28%, predicted sales increases under 10%, with the next category coming in at 0 to -10%. Price increase figures were unanimous in the 5% range.

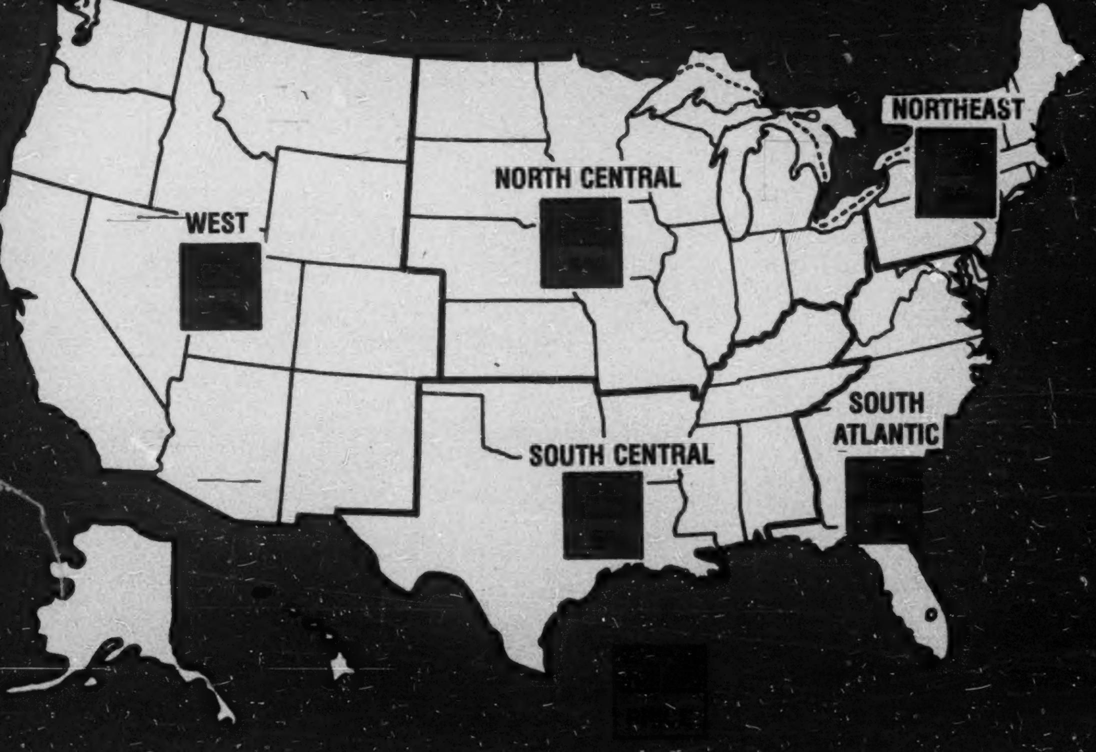
Further 1986 predictions indicated slight increases in full time employees, number of salesmen and warehouse space, all less than the bullish predictions of last year. For complete data, see *Personnel Statistics* and the regional breakdown under *Condensed table for comparison and analysis*.

Included for the second year is a separate survey for combination houses which immediately follows the industrial distribution survey.

Medians and averages

All percentages used in this survey are medians, unless otherwise specified. The median number is the number which is larger than or equal to half of the other numbers, and equal to or smaller than the other half. In series 4, 4, 5, 7, 10, the median is 5. The average of this series is 6 (30 divided by 5). The median number is more representative of a group being surveyed because it will not be distorted by either extreme: very large or very small numbers.

'86 Sales and Price Forecasts



Profit and loss

Gross profit rose slightly for general liners in 1985 (1.1%), with other profit and loss statistics either flat or down; gross profit for specialists, on the other hand, were up (3.8%), with other profit and loss statistics either flat or up.

Net profit before tax was even for general line houses and up 12.8% for specialists in 1985, with net profit after tax showing a drop of 8.7% for general liners contrasted with a sharp rise of 21.9% for specialists.

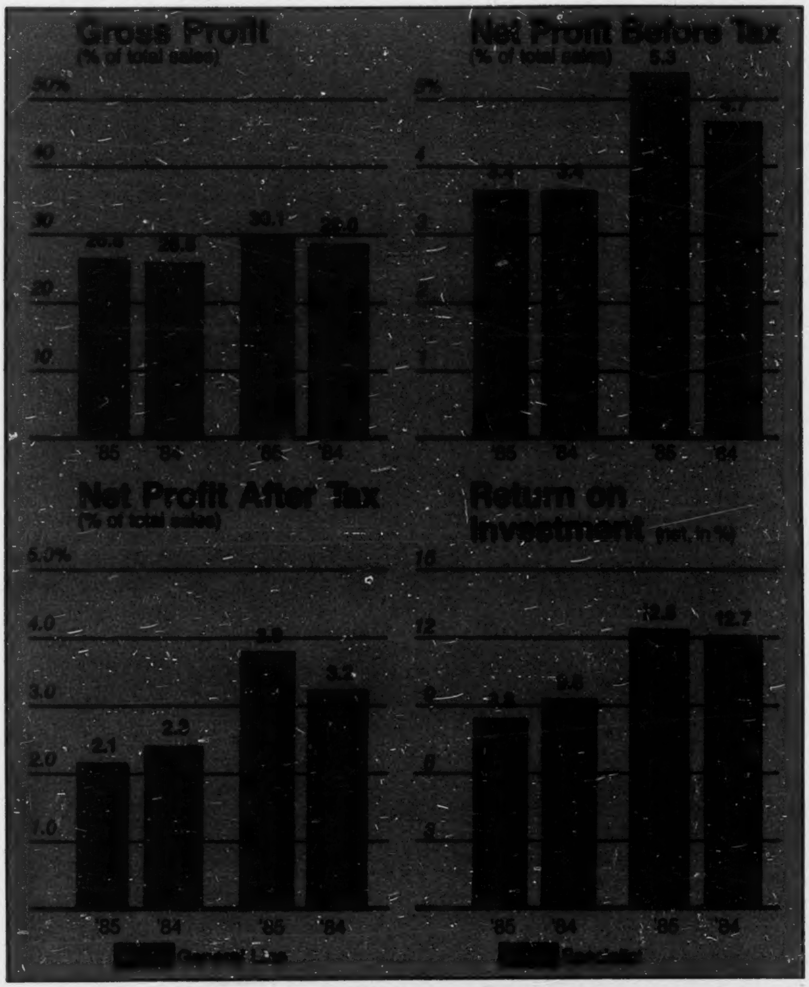
Return on investment figures followed a similar pattern with general line houses down 8.3%, and specialists showing a slim rise of 0.8%. This contrasts with ROI's in the plus 9% range in 1984 vs. 1983.

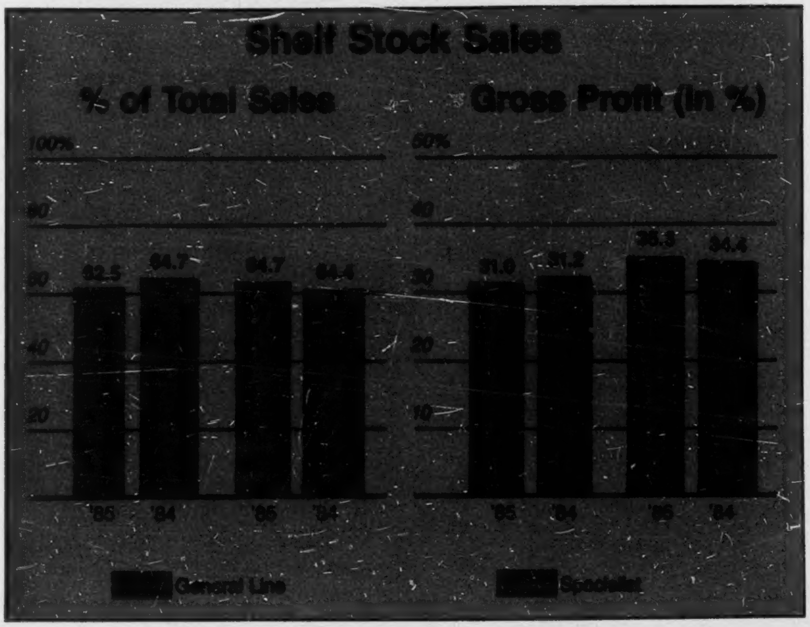
Shelf stock sales as a % of total sales has remained, in magnitude, similar the past several years, in the low 60's for both general liners and specialists; however, the specialists continue to fare better being up 0.5% while general liners fell 3.4%, 1985 compared to 1984.

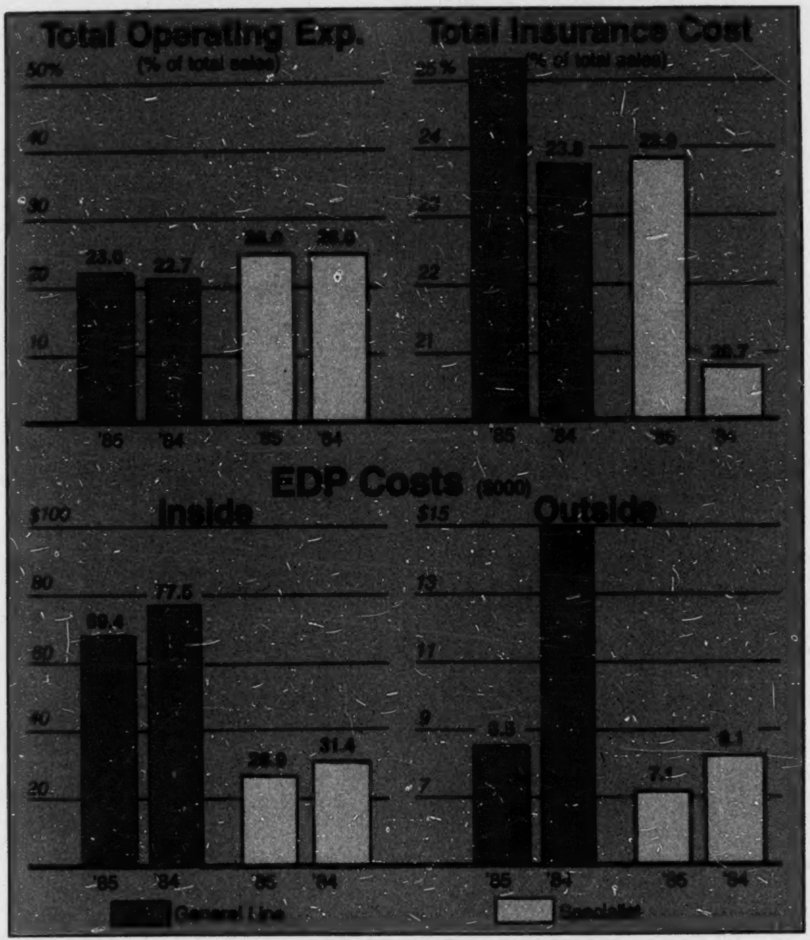
Gross profit for shelf stock sales, as a % of total sales, was down 0.6% for general liners, and up 2.6% for specialists.

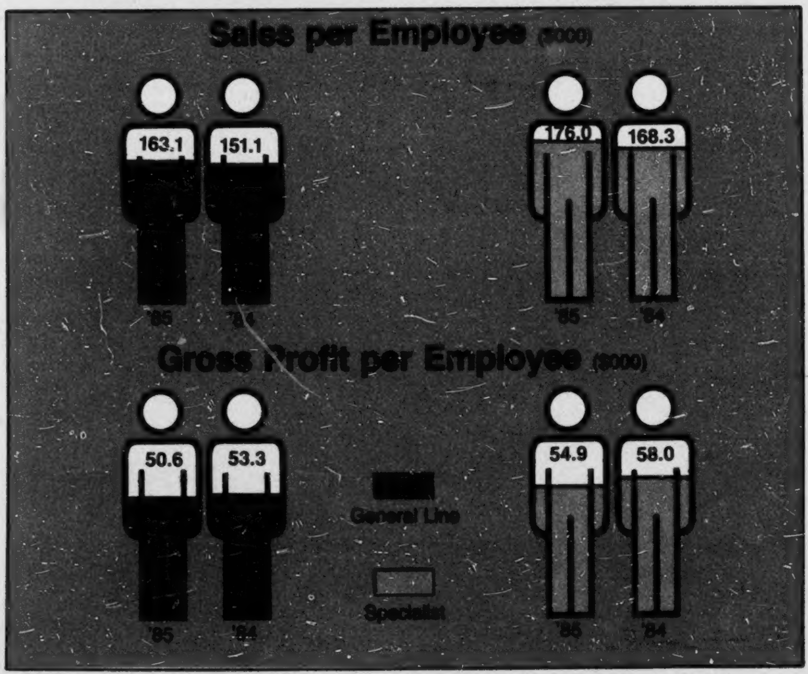
Combined regional figures (with few exceptions) follow the national statistics. Regional differences between general liners and specialists (not broken out in this report) also follow the separation for the national figures with specialists outperforming general line houses.

Because operating costs, insurance, and total compensation (payroll + fringes) did not appreciate for general liners out of proportion to figures for specialists, it appears that business conditions alone accounted for the differences.









Operating Costs

Total operating expenses rose 1.3% for general liners in 1985, while staying even for specialists. Although insurance costs rose, EDP costs fell by a greater amount.

Total insurance costs as a % of total sales rose 6.7% for general liners and 15.5% for specialists in 1985. Distributors indicated that part of the rise was due to increased product liability insurance. Specific amounts paid for product liability insurance was not included in this survey.

Some 8.5% general liners and 8.7% specialists were involved in product liability suits last year. Although only 16.7% of the general liners and 26.7% of the specialists reported being penalized, the median amounts were up substantially over 1984. General line houses paid $20,000 in 1985 vs. $2500 in 1984; specialists paid $12,500 in 1985 vs. $5000 in 1984.

Despite a rise in computer usage in 1985 (see *Computer Data*), EDP costs fell indicating that distributors were not spending much money on new systems and peripheral equipment. EDP inside costs fell 10.4% for general liners while dropping 8% for specialists. EDP outside costs fell 43.3% for general liners, 12.4% for specialists.

Sales per employee figures were on the positive side for both general liners and specialists, rising 7.9% and 4.6% respectively. However, gross profit per employee figures did not fare well. General line houses fell from $54,900 in 1984 to $50,000 in 1985. Specialists fell from $58,000 in 1984 to $53,000 in 1985. Further data is provided on employees under *Personnel Statistics*.

Inventory Data

Figures were mixed in 1985 for average monthly inventory and stock turns, while both general liners and specialists saw receivables rise and collections fall.

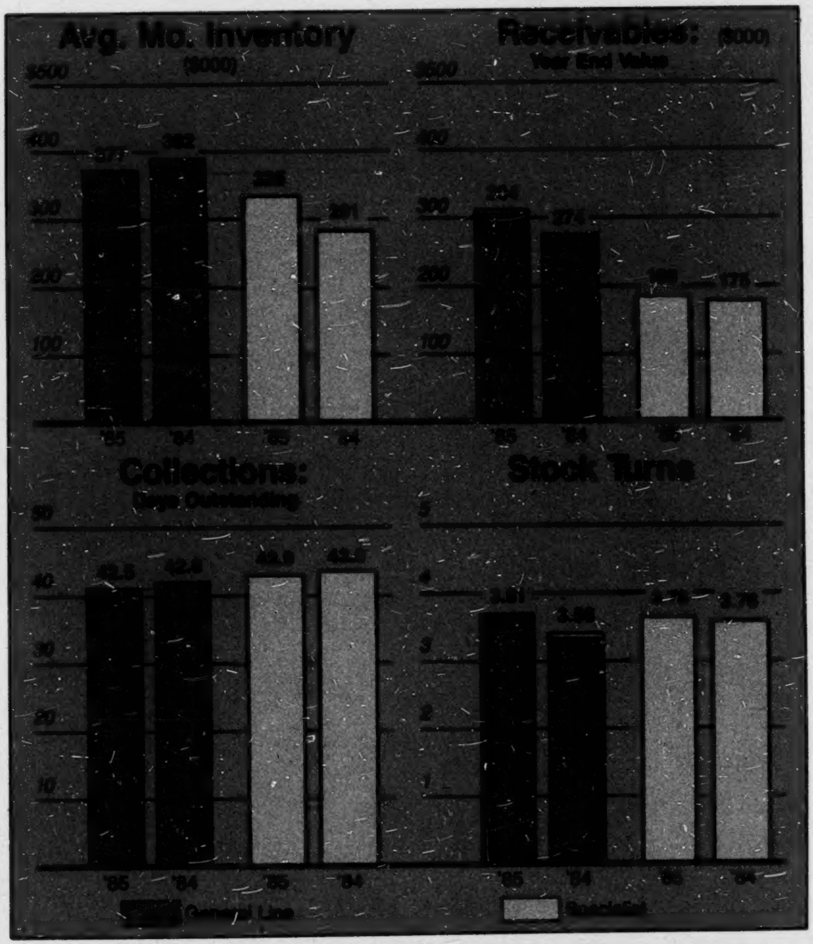
Average monthly inventory values dropped 1.3%, or $5000, for general liners and rose 11.7%, or $34,000 for specialists, 1985 compared to 1984. Of the five regions covered in the [illegible] Table (p. 47), three were down (South Atlantic, South Central and West) and two were up (Northeast and North Central).

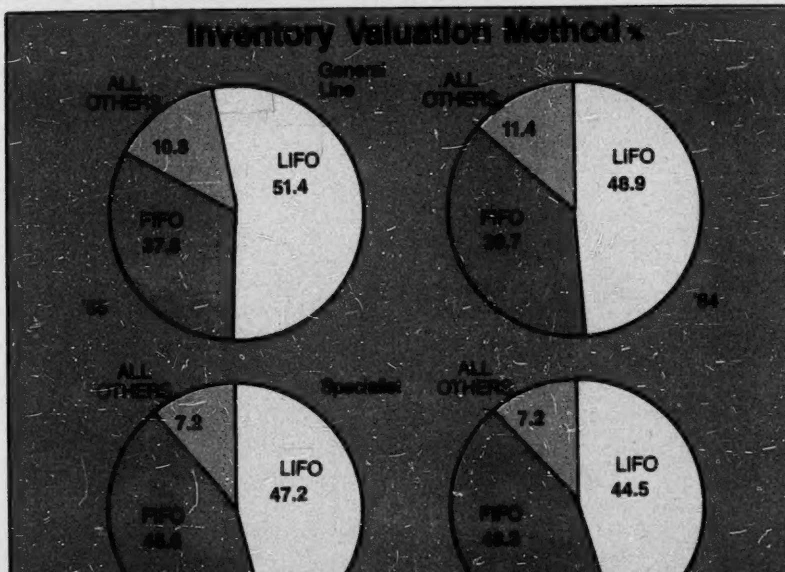
Receivables increased 10.9% for general liners and 7.9% for specialists, 1985 against 1984, while collections (days outstanding) fell for each, 0.7% and 0.23% respectively.

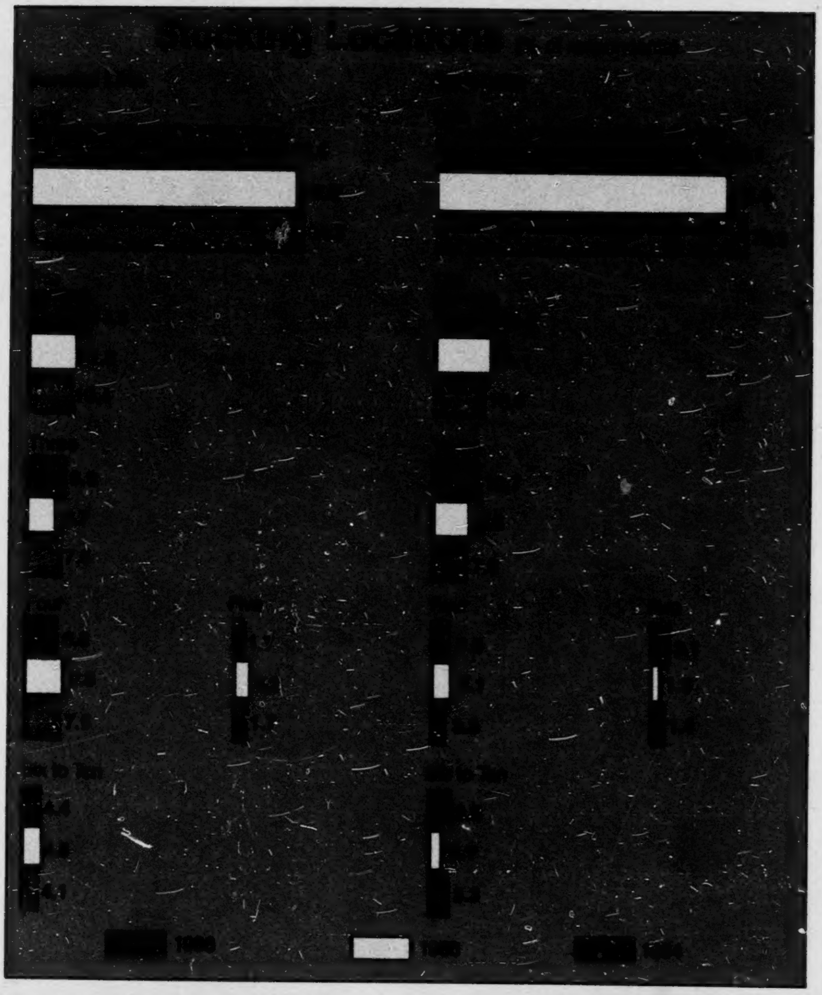
The figures for stock turns were mixed with general liners up 9.8% in 1985, while specialists were flat. (Stock turns were calculated by multiplying the percent of shelf stock sales at cost by total sales, and dividing the result by the average monthly inventory value).

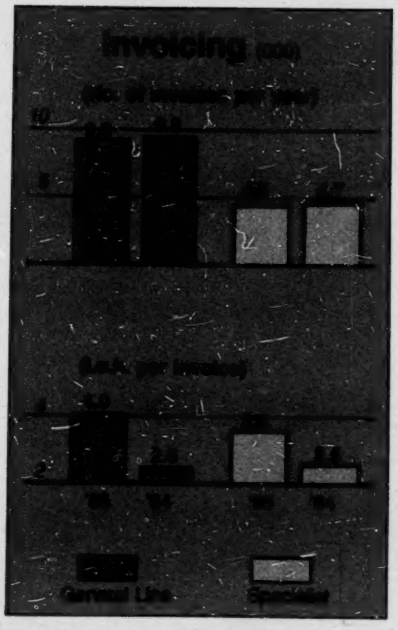
Although there does not appear to be too much change between LIFO and FIFO usage, 1985 compared to 1984, the trend had been to FIFO since 1983. This has slipped slightly as LIFO usage has increased 5.1% for general liners and 6.1% for specialists, 1985 compared to 1984. FIFO fell 4.8% and 5.6% for general liners and specialists respectively.

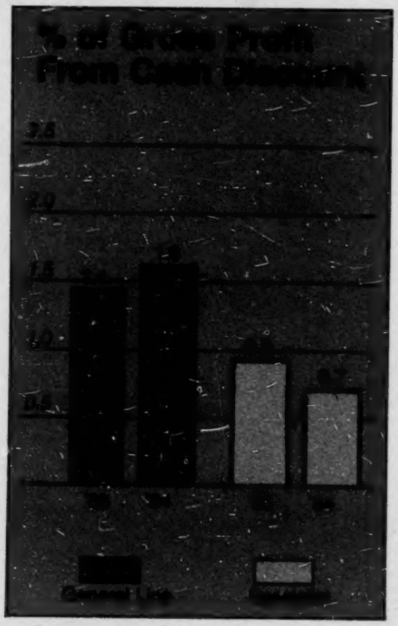
Complete copies of the 40th Survey of Distributor Operations in report form are available. For more information, see page 49.





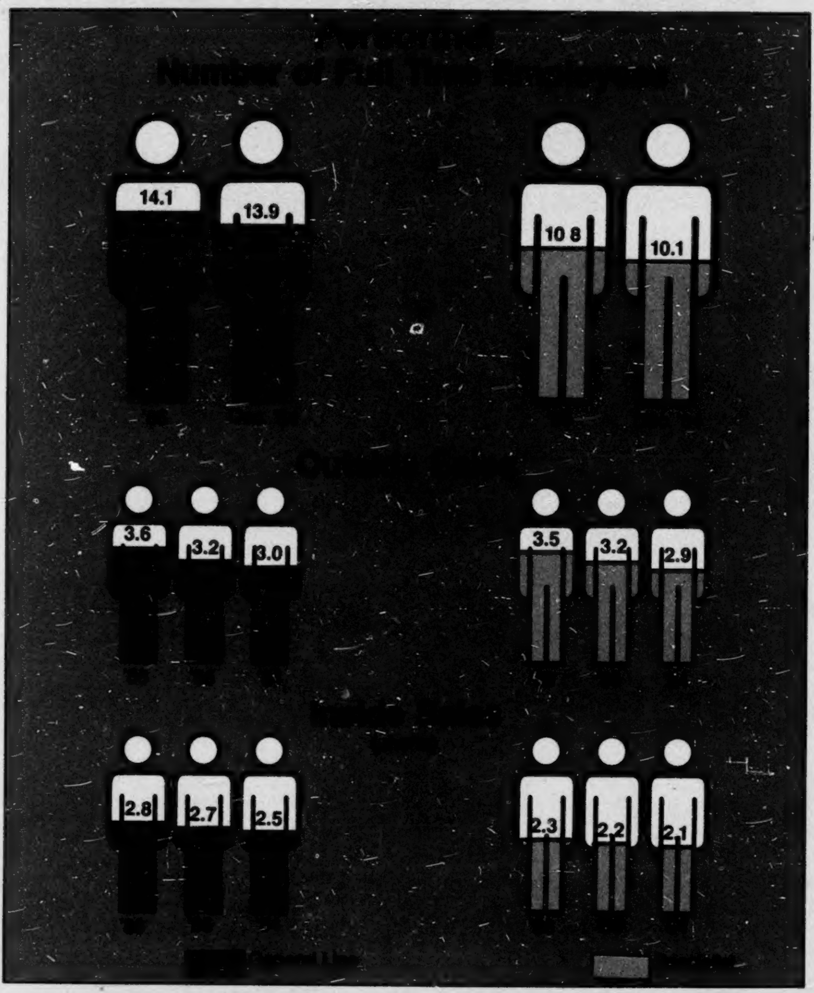


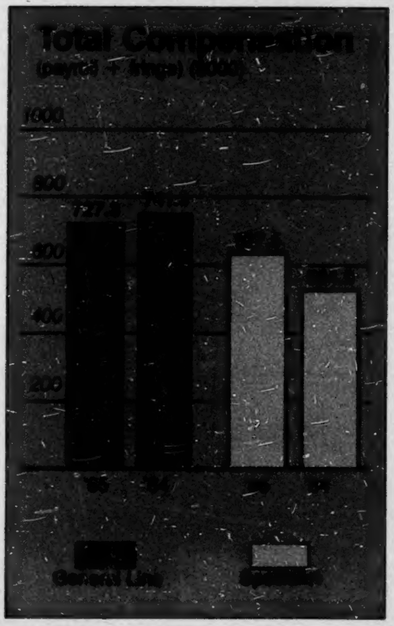


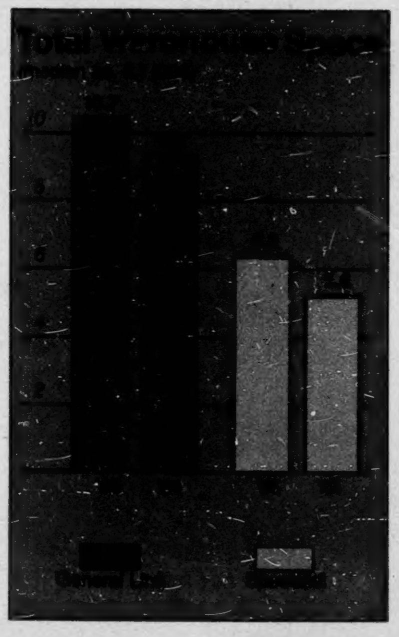


Business Trends

[illegible]


Number of Full-Time Employees
14.1
13.9
10 8
10.1
3.6
3.2
3.0
3.5
3.2
2.9
2.8
2.7
2.5
2.3
2.2
2.1
General Line
Specialist


Total Compensation
(payroll + fringe) ($000)
1000
800
600
400
200
727.8
'85
'84
General Line
Specialist


Total Warehouse Space
10
8
6
4
2
General Line
Specialist

[illegible]

6200 sq ft.

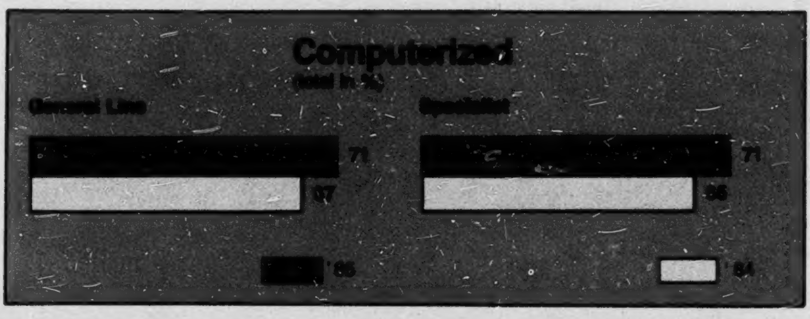
Computer Data

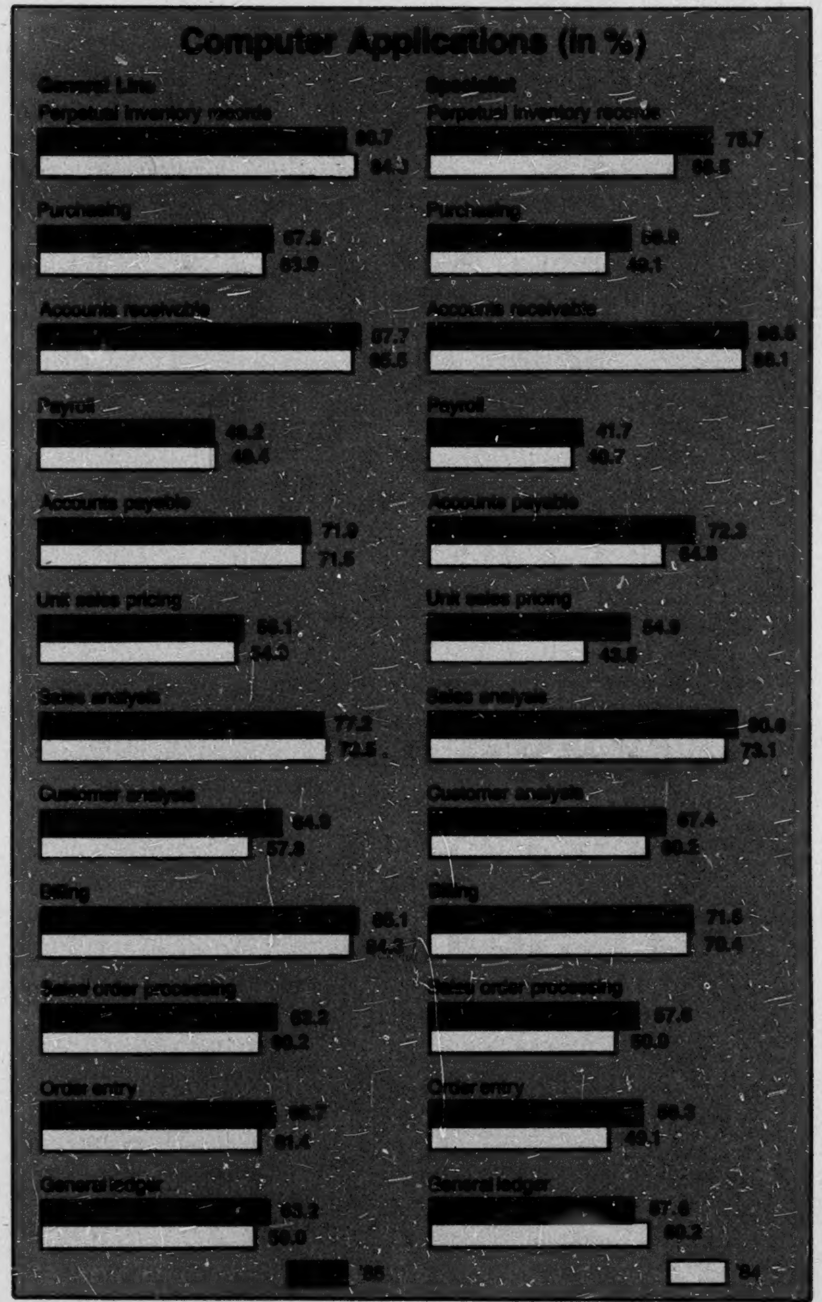
The use of computers by industrial distributors increased again in 1985, as did overall applications. However, hardware purchasing was off as indicated by the drop in EDP outlays (see Operating Costs), which leaves software system purchases as the main area of distributor interest and activity.

For general liners, 5.2% more distributors were computerized in 1985 than in 1984, bringing the total for the industry close to 71%, while for specialists, the increase was 4.5%, also to approximately 71% of the industry. Although the increases were respectable, they were not as great as 1984 or 1983 figures.

Most of the applications areas listed gained in computer usage, 1985 over 1984. The largest gain for general liners was 12.3% for the customer analysis function, with order entry second at 8.6%; the applications losing ground were perpetual inventory records, down 4.2%, and payroll, down 2.4%. For specialists, unit sales pricing was up 26.2%, with purchasing second at 18.8%. The only function losing ground, general ledger, was down 4.5%.

Word processing and desktop publishing are also showing rapid growth. For general liners, the gain was from 19.3% in 1984 to 26.3% in 1985, or 36.3%; for specialists, the gain was from 34.3% in 1984 to 40.3% in 1985, or 17.5%. These figures are expected to grow sharply in the next few years as greater numbers of distributors turn to their own in-house marketing, editorial and printing capabilities through the easy addition of software and peripherals.





Condensed table for comparison and analysis

	National		Your figures	Northeast		Your figures
	'85	'84		'85	'84	
Total sales ($ millions)	2.0	1.8		1.8	1.6	
Cost of goods sold (% of total sales)	71.2	72.4		72.5	73.9	
Gross profit (% of total sales)	28.2	27.6		27.1	27.2	
Total operating expenses (% of total sales)	24.8	24.5		23.0	22.8	
Net profit before tax (% of total sales)	4.4	4.1		2.7	3.0	
Net profit after tax (% of total sales)	3.0	2.7		1.7	1.9	
ROI (return on net worth)	10.4	10.9		5.5	9.9	
Sales per employee ($000)	160.0	150.0		156.5	144.1	
Gross profit per employee ($000)	45.1	41.4		42.4	39.2	
Monthly inventory value (LIFO, $000)	357.0	342.0		343.0	325.0	
Receivables value as of Dec. 31 ($000)	233	197		210	239	
No. days outstanding at Dec. 31	42.6	42.8		43.5	43.6	
No. of invoices billed (000)	6.7	6.9		6.0	6.8	
No. of lines billing per invoice	3.6	2.5		3.4	2.3	
No. of employees	12.5	12.0		11.5	11.1	
No. of outside salemen	3.2	2.9		3.3	3.0	
No. of inside salemen (phone and counter)	3.8	3.7		3.6	3.3	
Warehouse sq ft. (including branches, 000)	7.9	7.6		9.2	8.2	
No. of branch locations	1.3	1.2		1.2	1.1	
Total payroll and fringes (avg., $000)	666.5	643.5		547.3	529.3	

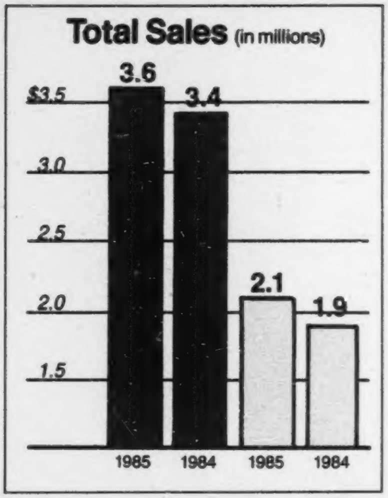
	South Atlantic		Your figures	North Central		Your figures
	'85	'84		'85	'84	
Total sales ($ millions)	1.9	2.0		2.8	2.5	
Cost of goods sold (% of total sales)	70.7	73.1		72.1	72.3	
Gross profit (% of total sales)	30.0	26.9		28.9	26.3	
Total operating expenses (% of total sales)	24.7	23.7		23.8	24.6	
Net profit before tax (% of total sales)	4.2	3.7		5.1	4.4	
Net profit after tax (% of total sales)	3.3	2.7		3.8	2.9	
ROI (return on net worth)	15.3	15.2		8.7	10.5	
Sales per employee ($000)	131.0	163.9		227.6	201.6	
Gross profit per employee ($000)	39.3	44.1		61.2	53.0	
Monthly inventory value (LIFO, $000)	650.0	738.0		325.0	240.0	
Receivables value as of Dec. 31 ($000)	300	263		317	230	
No. days outstanding at Dec. 31	42.0	40.6		42.7	43.3	
No. of invoices billed (000)	12.9	10.0		6.1	6.9	
No. of lines billing per invoice	3.4	2.6		3.8	2.6	
No. of employees	14.5	12.2		12.3	12.4	
No. of outside salemen	3.3	3.1		3.4	3.3	
No. of inside salemen (phone and counter)	4.8	4.5		3.7	3.5	
Warehouse sq ft. (including branches, 000)	7.0	6.0		7.9	7.7	
No. of branch locations	1.3	1.3		1.3	1.3	
Total payroll and fringes (avg., $000)	1232.4	1193.2		616.5	596.1	

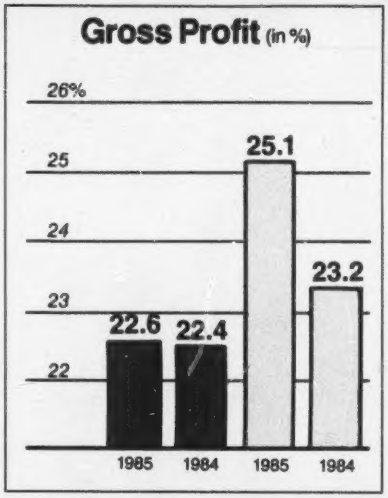
	South Central		Your figures	West		Your figures
	'85	'84		'85	'84	
Total sales ($ millions)	1.8	1.4		1.7	1.8	
Cost of goods sold (% of total sales)	71.6	73.7		67.3	67.7	
Gross profit (% of total sales)	27.9	28.1		32.0	31.8	
Total operating expenses (% of total sales)	25.3	24.5		28.1	27.7	
Net profit before tax (% of total sales)	3.4	3.3		5.5	5.2	
Net profit after tax (% of total sales)	2.9	2.3		3.5	3.3	
ROI (return on net worth)	13.5	8.5		10.4	16.0	
Sales per employee ($000)	138.5	116.7		149.1	150.0	
Gross profit per employee ($000)	38.6	32.8		47.7	47.4	
Monthly inventory value (LIFO, $000)	317.0	325.0		333.0	360.0	
Receivables value as of Dec. 31 ($000)	193	133		177	168	
No. days outstanding at Dec. 31	41.3	39.7		43.1	43.8	
No. of invoices billed (000)	5.6	5.0		6.9	7.7	
No. of lines billing per invoice	4.2	3.1		3.3	2.0	
No. of employees	18.0	12.0		11.4	12.0	
No. of outside salemen	3.0	2.6		3.0	2.8	
No. of inside salemen (phone and counter)	3.9	3.9		4.3	4.3	
Warehouse sq ft. (including branches, 000)	6.5	6.0		8.4	7.9	
No. of branch locations	1.2	1.2		1.3	1.2	
Total payroll and fringes (avg., $000)	519.0	508.8		676.7	640.8	

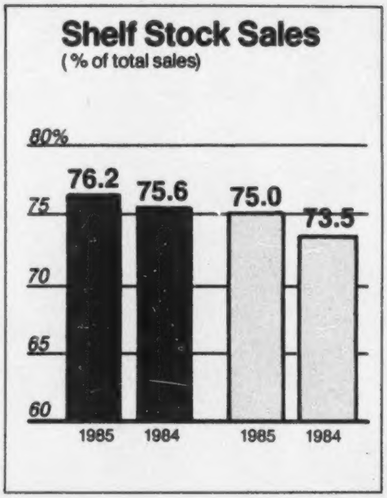
Note: All figures are in medians, except where averages are specified.

SURVEY CONTINUES ON NEXT PAGE

40th ANNUAL SURVEY OF DISTRIBUTOR OPERATIONS







Combination Houses

While the previous section focused on the general line and specialist firms that qualified under ID's strict criteria for industrial distributors, this section,* Combination Houses, *deals with those firms that sell a substantial volume of supplies to industry, plus products not generally considered purely industrial, such as automotive parts, wholesale electric, and plumbing and heating supplies.

As a whole, combination houses saw sales increase by 7.7% for 1985 over 1984, while combined gross profit figures grew at only 4.8% (not plotted graphically). The figures also reveal that specialty combination houses substantially outperformed the general liners.

In terms of median sales, specialists saw increases of 10.5%, or from $1.9 million to $2.1 million, '84 to '85. For the same period, general line sales rose a more modest 5.9% (see graph).

A similar spread showed up in gross profit figures. Specialty profits grew by 8.1% from 1984 to '85 while general line profit growth stalled at less than 1%. Western states houses were the most profitable in '85 with a median gross profit of 26.6%. North Central houses managed a 22.5% gain compared to the national median of 23.9%.

Strong performance gains for the last two years coupled with low interest rates, falling oil prices, improved auto sales and a boom in housing starts appears to have spread some optimism, especially among the specialty houses, where 43% expect to expand operations in '86 compared to 32% of general liners.

Also, for the second year in a row, specialty houses have reported average monthly inventory valuation gains of more than 11%, while general liners posted another decline in inventory value, a 6.6% drop from 1984 to '85.

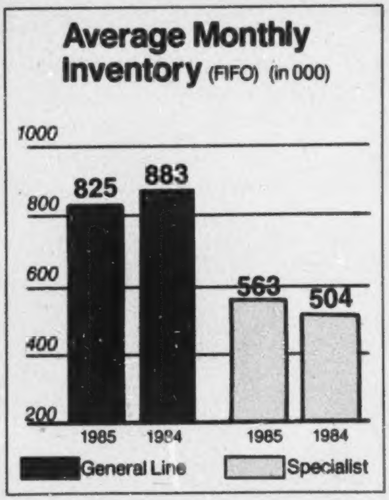
Specialists have also shown stronger growth in the number of full-time employees taken on over the last year—up 5.6%, from 14.4 to 15.2 employees. Much of that growth was in the outside sales force with an 8.3% increase (from 3.6 to 3.9). The inside sales force for specialists remained constant and is expected to decrease slightly in 1986.

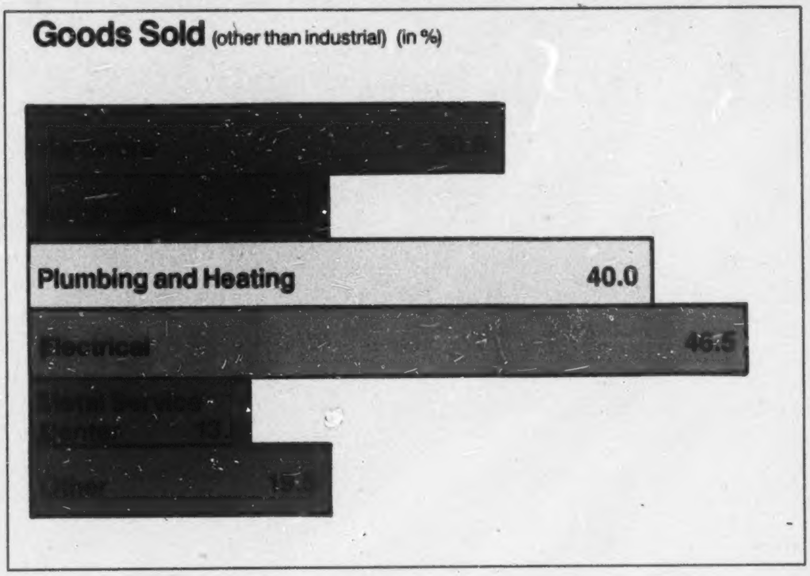
General liners, on the other hand, trimmed overall work forces by 1.6%, from 25.6 to 25.2. But in terms of numbers of salespeople, they showed more substantial growth with an 11.8% increase in outside and a 15.2% increase in inside salespeople.

In the warehouse, the combined median dropped from 17,500 sq ft in 1984 to 17,000 sq ft last year. While general liners expanded their facilities nearly 4% to a median 21,800 sq ft, specialists reduced their space by almost 12% to 14,700 sq ft in 1985.

At the same time, shelf stock sales

The complete 40th Annual Survey of Distributor Operations, including combination houses, is available in report form. It contains 235 pages of statistics broken down for detailed analyses and comparisons of industrial distributor business operations on national and regional scales. A single copy is $125. Contact Laurie Schnepf, Research Director, Technical Publishing Co., 875 Third Ave., New York, NY 10022 or call (212) 605-9679.





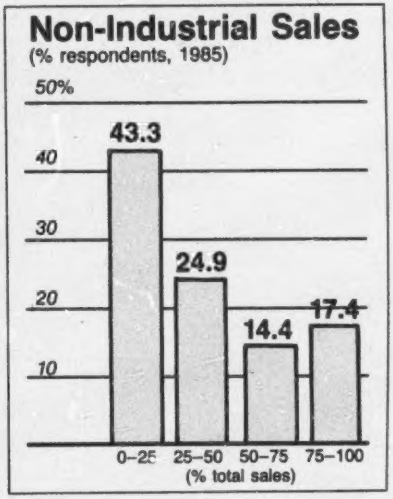
improved by 2% and stock turns remained flat at 2.8 turns per year for specialists. General line houses experienced shelf stock sales improvement of 0.8%, but stock turns jumped by almost 14%. Walk-in sales now account for 11% of combination house business and specialists saw an 84% jump in that figure in the last year.

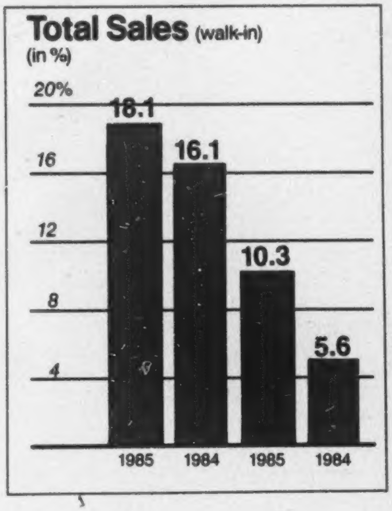
Of the non-industrial goods sold, plumbing and heating and electrical were the leaders, followed by hardware and automotive.

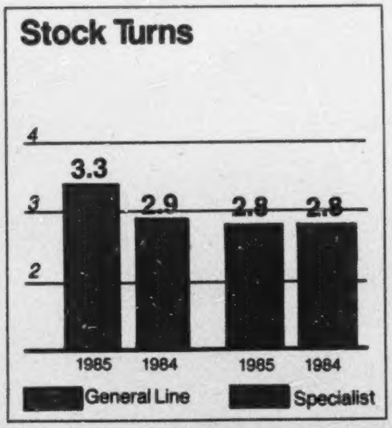
For the average combination house, 81.2% of its business is industrial. Yet, in the South Atlantic region, non-industrial customers account for more than half of the combination house business, or 52%.

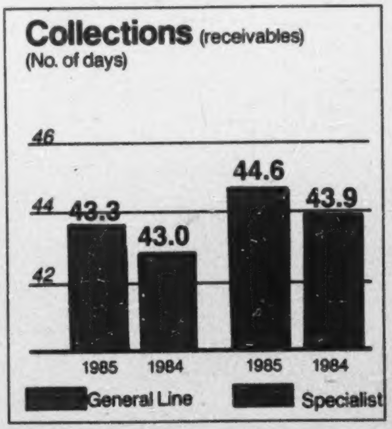
Combination houses are in general optimistic about sales increases for 1986 with 83% of respondents forecasting a median increase of 11%. The South Central region, however, looks for only 7.5%.

Price forecasts are less encouraging, reflecting the effects of five years of slowing inflation. The median forecast calls for a 4.9% increase, little higher than widely expected inflation rates of 4%.









FOCUS ON SERVICES

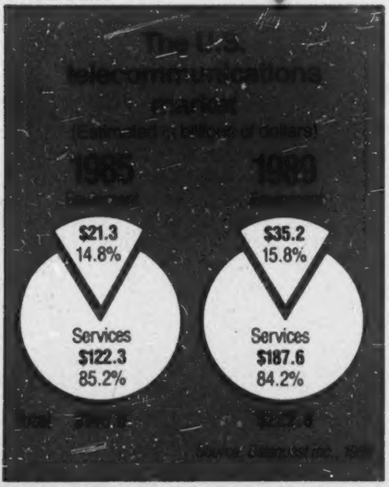
Telecommunications

From phones that can be dialed by speaking to a system that gives the location of moving vehicles, new telecommunications equipment is inundating the industrial distributor

A scant dozen or so years ago, the typical industrial distributor's involvement with telecommunications was generally limited to an inside salesman using a Western Electric-manufacturerd telephone to call customers over AT&T telephone lines. In addition, perhaps the distributor had a teletype machine which he used to communicate with his branches, customers and suppliers.

Today, however, in the wake of the breakup of AT&T, the provision of long distance service has become hotly competitive with new companies vying for the distributor's business. In addition, court rulings allowing the telephone user to procure phone equipment on the open market rather than being forced to patronize "Ma Bell", has given impetus to dozens of new equipment companies who have rushed in to feed this lucrative market.

In a scene that would have been considered science fiction only a few years ago, distributors are routinely using computers to order directly through the suppliers' computers while salesmen on the road use their cellular car telephones, portable computers and modems to send and access electronic mail from headquarters and to obtain additional data.



Meanwhile, specially trained telemarketing staffs make their electronic "sales calls" over discount long distance networks while a computer dials the number automatically and displays the customer's purchasing history and shipping information.

In Houston, Texas Mill Supply, a large general line distributor, uses facsimile machines linked to cellular telephones and modems in sales vans to communicate with headquarters.

A new device being marketed as "Autotrack" by 800 Cellular, a New York City firm, enables the distributors to instantly obtain the location of any vehicle in his fleet including automobiles. Based upon a system of electronic triangulation in which pulsed signals from two transmitters are used to automatically calculate the vehicle's location, the data is superimposed on a map displayed on a computer screen at the distributor's headquarters.

While cellular telephones have vastly improved upon the voice quality of previous vehicular phone systems, the next frontier in making vehicular phones more useful is automatic dialing through speech recognition.

Audec Corp., a Saddle Brook, NJ firm, for example, markets what it calls the "Vodialer" made specifically for cellular phones. Using this device, it is possible to dial a phone number by speaking the name of the party being called without the need for the driver to take his hands off the steering wall.

A simpler variation on electronic mail—where the user needs a computer terminal, modem and telephone to send or access messages— is phone mail which will grow from virtually nothing a few years ago to an estimated $800 million-plus business by 1990. Phone mail works much like a sophisticated, micro-processor controlled answering machine that can both give and receive messages.

In practice, the caller (who can be in the next office or on the other side of the world) dials a number and then, by dialing in his secret access code, can leave voice messages for any individual in the organization and retrieve any messages left for him. Like electronic mail, phone mail doesn't punch a time clock and is available 24 hours a day, seven days a week.

While still in its infancy after several false starts, videoconferencing is ideally suited to the needs of sales meetings and conferences where the participants are in scattered, distant locations and visual communications is important.

In videoconferencing, attendees assemble at videoconference centers close to their home bases. Audio/video links at each site transmit the picture and sound via a projector system displayed on a screen.

Gaining rapid popularity, is the audio variation of videoconferencing: teleconferencing. Resembling a giant party line, teleconferencing allows any number of participants in any location with access to a telephone to participate. AT&T recently introduced such a service under the name "Alliance."

In more ambitious applications, conferees gather in pre-determined locations with an amplified audio link connecting the various sites.

As the pace of telecommunications technology accelerates each year (see chart), the distributor of the future may find himself presiding over an electronic wonderland that makes his business at once both more efficient and less expensive to operate.—**Doug Harper**

The Survey of Distributor Operations in this issue shows that fewer than 30% of the respondents have computerized telecommunications, but more than 46% include it in their plans. Question: with the marketplace demanding precise reaction time to order processing, can distributor hold-outs compete without* incorporation of *EDP/communications systems?

—George Berkwitt

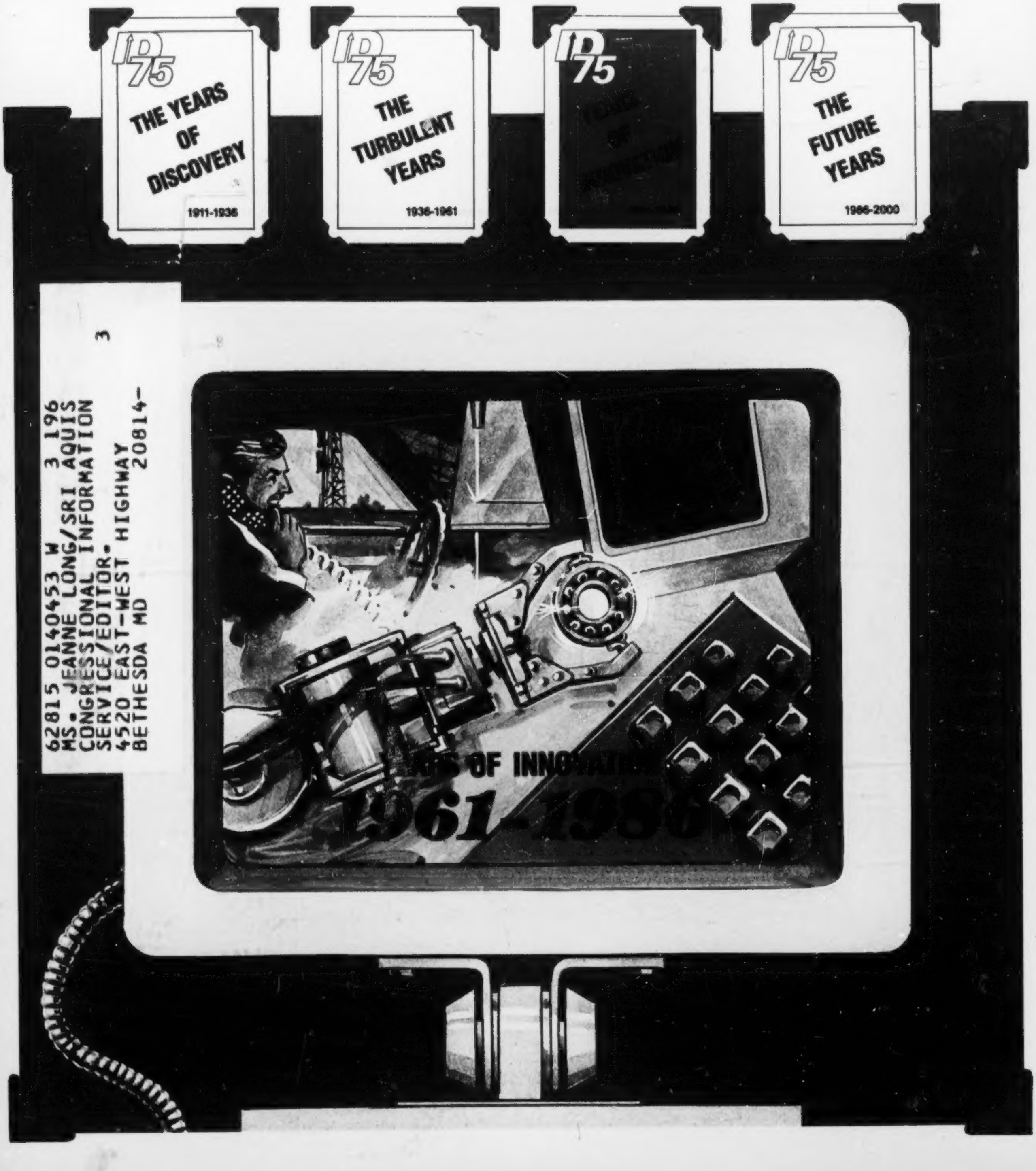
Industrial Distribution

© TECHNICAL PUBLISHING

August 1986

Hotline:
Performance data show specialists have edge over general liners

Review: Maintenance Equipment & Supplies



ID 75
THE YEARS OF DISCOVERY
1911-1936
ID 75
THE TURBULENT YEARS
1936-1961
ID 75
ID 75
THE FUTURE YEARS
1986-2000
ARS OF INNOVATI
1961-198

62815 0140453 W 3 196
MS. JEANNE LONG/SRI AQUIS
CONGRESSIONAL INFORMATION
SERVICE/EDITOR.
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814-

3

Industrial Distribution

VOL. 75, NO. 8/75th yr. A TECHNICAL PUBLISHING PUBLICATION AUGUST 1986

13
INDUSTRY NEWS
United Technologies Corp. solicits distributor participation in new consolidated purchasing program; Gates Rubber pays $125 million for Uniroyal belt business; Goodall Rubber acquires Republic Hose; Taylor, Regal-Beloit founder and chairman, retires after 31 years; PT manufacturers see growth in high technology; Gerstener to market through Kennedy Manufacturing Co.

35
HOTLINE
Performance data show specialists have edge over general liners.

37
STRICTLY FOR SALESMEN
Keeping score

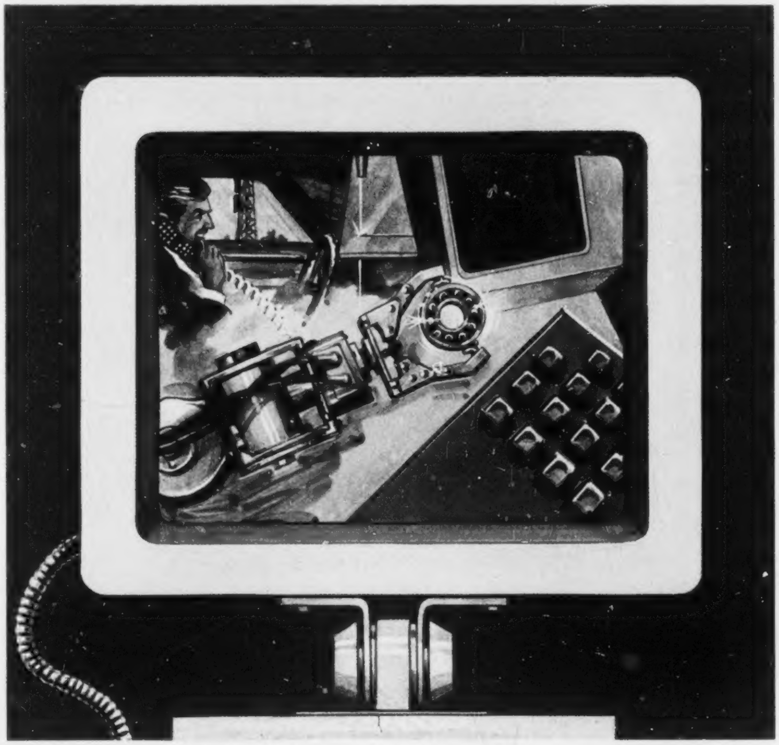
41
THE 1986 TRIPLE:
"Let's work together"

Industrial Distribution, (USPS-889-860) is published monthly by Technical Publishing, a Division of Dun-Donnelley Publishing Corporation, a Company of the Dun & Bradstreet Corporation, John K. Abely, President. EXECUTIVE, EDITORIAL AND ADVERTISING OFFICES, 875 Third Ave., New York, NY 10022. (212) 605-9400. Second class postage paid at Barrington, IL 60010 and additional mailing office.

Postmaster: Send address changes to Industrial Distribution, Circulation Dept., P.O. Box 1063, Barrington, IL 60010.

Microfilm or reproductions of issues or articles are available. Write Xerox University Microfilms, Ann Arbor, MI 48106.

47 COVER STORY
ID's DIAMOND JUBILEE
YEARS OF INNOVATION: 1961-1986



Cover illustration by Arthur Arias.

63
COMPUTER/-TELECOMMUNICATIONS UPDATE

59
SHOWCASE REVIEW:
Maintenance equipment and supplies

65
MARKETING/OPERATIONS IDEAS
Measures everything but time saved: T.M.T; Accelerate picking with automated system; USDC identifies export opportunties; Extra services that measure up; Telemarketing training created for distributors; Seek out trade shows for greater opportunity.

9 READER SERVICE CARD
23 WASHINGTON REPORT
27 MEETINGS
29 READERS WRITE
31 BUSINESS REPORT
33 LIKE IT OR NOT
71 NEW PRODUCTS
75 READER SERVICE CARD
82 APPOINTMENTS
84 ADVERTISERS' INDEX
84 CLASSIFIED ADVERTISING

than 70% of sales are made through distributors.

- 77 % of manufacturers said they use selective distribution while only 2% rely exclusively on distribution. 25% report multiple distribution.
- Approximately 85% of manufacturers allocate some funds to distributor training versus 15% who do not.
- Among those distributors' qualities manufacturers see as *most important* are: sales volume, loyalty and product knowledge.

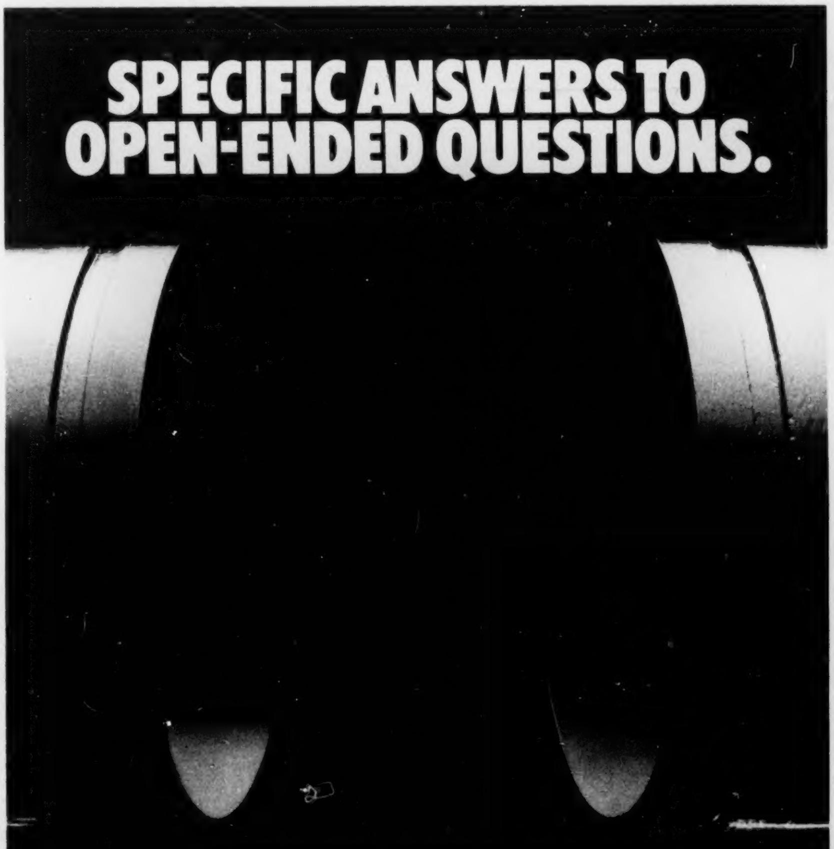
The complete PTDA survey is available to non-members for $50. For infor-

[*continued on page 21*]

Indicators. . .

Current data from the three key organizations for the latest reporting period continued to be inconclusive with two associations reporting marginal declines and one reporting a modest gain...The NIDA/SIDA *Industrial Distribution Index* on a national basis fell 1.2 points in May from the previous month. Regionally, the East gained 1.6 points while the Midwest and West suffered small drops of 1 point and 0.4 point respectively. The bulk of the loss was experienced in the South which retreated 4.2. In a May '86/May '85 comparison, last year's numbers were superior in every region...SIDA's association-wide *Monthly Sales Trend Report* for the month of April vs. March showed an increase of 3.26 spurred by a torrid 15.12 gain in SIDA Area III which comprises AL, KY, MS, and TN. SIDA Area II (FL, GA, SC, Puerto Rico) also turned in a 6.92 improvement over March. Of the remaining two SIDA regions, Area IV (AR, LA, OK, TX) declined a miniscule 0.42 while Area I (NC, VA, WV) dropped 2.11. Despite these respectable numbers, SIDA's April '86 figures are off 3.13 from April of '85...ASMMA's *New Order Index* for April dropped .4 points or .3% from March. The latest figure continues the slow decline from the peak of 129.1 of August 1984. With the exception of 115.9 registered in December '84, April represents the lowest number since 1983...the National Welding Supply Assn. *Welding Supply Index* for May dropped to 203.1 from 216.9 in April for a 6.4% loss. Although '86 year-to-date figures show a 1.5% improvement over '85, the current index compares unfavorably with May '85...the American Machine Tool Distributors' Assn. *Total Index* for May dropped to 103.0 points from the April level of 111.6 for a 7.7% loss.

SPECIFIC ANSWERS TO OPEN-ENDED QUESTIONS.



If your question is about pipe connections, the answer is grooving, the growing segment of the piping market.

A leading manufacturer of grooved piping systems, Gustin-Bacon offers a full line of grooved fittings and couplings, aluminum, segweld steel and plain-end fittings, as well as large diameter and high-pressure couplings.

Gustin-Bacon representatives are in every major metro area . . . ready to be of service.

For more information, write the Gustin-Bacon division of Tyler Pipe, Box 2027, Tyler, TX 75710.

Tyler Pipe
Subsidiary of
Tyler Corporation
Write in No. 18

©1986 Tyler Pipe

BUSINESS REPORT

Ready for action

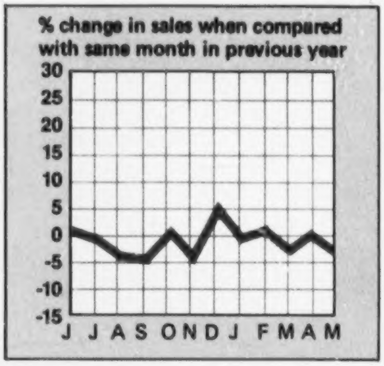
A further reduction in overhead for industrial distributors is made possible by yet another cut in the discount rate followed by cuts in the prime lending rate. The *Consumer Price Index*, largely because of the continuing drop in energy costs, is sharply negative, thus labor costs, tied to this and other indexes, continue to be well under control. Additionally, productivity continues to rise as distributors computerize and pare labor costs. Result: distributors are ready for action, perhaps more than they have been in quite some time. All they need is the increase in business forecasters have been promising is *right around the corner* since late last year.

While sales in 1985 were by no means robust, that year was regarded as more of a holding action, a rest period after 1984's rapid growth, in anticipation of better sales in 1986. However, with two-thirds of 1986 behind us, we have so far seen, with few regional exceptions, an erosion of sales.

In the Middle Atlantic region, distributors saw a slow but still profitable first quarter; however, second quarter sales have turned down and with the summer months a traditionally slow selling time, little hope is held for a turnaround in sales, until the last quarter of this year, or possibly the first quarter of 1987, at the earliest.

Distributors serving the Atlantic coast marine industry in the area of power transmission products have been especially hard hit due to the slack demand in oil imports as tanker fleets have been substantially reduced. For their product sales as well as expertise in the replacement and repair of pumps and compressors, many of these distributors have turned to the already crowded construction market for their business.

Nationally, sales were down 3% in May compared to the same month last year, with month-to-month comparisons, a more immediate trend indicator, showing a decline of 5%. Cumulative comparisons (1st 5 months of '86 vs.'85), which had been up, has also turned down. Receivables are holding at the 40 day level. **Milt Ellenbogen**



RECEIVABLES*

	May '86		vs. May '85	
	Gen.	Spec	Gen.	Spec.
New England	43	47	46	45
Middle Atlantic	43	46	44	43
South Atlantic	36	37	35	37
East No. Central	41	40	39	41
East So. Central	38	33	38	33
West No. Central	40	43	38	38
West So. Central	—	42	—	38
Mountain	37	39	37	46
Pacific	39	40	41	39
National	40	41	40	40

* Average days outstanding

SALES BY REGIONS (% change)	May '86 vs. Apr.'86			May '86 vs. May '85			1st five months'86 vs. 1st five months'85		
	Gen.	Spec.	Both	Gen.	Spec.	Both	Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	−17	−8	−12	−13	−9	−11	−10	−6	−8
Connecticut	—	−18	—	—	0	—	—	−4	—
Massachusetts	−7	—	—	−5	—	—	−3	—	—
MIDDLE ATLANTIC: NY, NJ, PA	−17	−9	−10	−3	−12	−11	−4	+2	+1
New York Metropolitan Area	−10	−11	−11	−18	−14	−15	—	−2	—
Upstate New York	—	−14	—	—	−11	—	—	0	—
Pennsylvania	−5	−5	−5	+6	−11	−9	+3	−14	−12
SOUTH ATLANTIC:DE, DC, MD, FL, GA, NC, SC, VA, WV	−7	+6	−2	−12	−8	−11	−6	−8	−7
Georgia-Florida	−8	+10	+1	−8	−11	−10	−8	−8	−8
EAST NORTH-CENTRAL: OH, IN, IL, MI, WI	−7	+3	−3	−17	−3	−11	−3	+3	0
Indiana	−4	—	—	+3	—	—	+4	—	—
Wisconsin	—	+7	—	—	−5	—	—	0	—
Chicago	—	—	—	—	—	—	—	—	—
Michigan	−25	−8	−14	−10	−8	−9	−1	+6	+3
Ohio	−9	+10	−1	−19	−2	−12	−10	+2	−5
EAST SOUTH CENTRAL:AL,MS, KY, TN	−4	−12	−10	+10	−17	−9	+4	−6	−3
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	−9	−2	−7	−16	+7	−11	−10	−1	−8
WEST SOUTH CENTRAL: AK, LA,OK, TX	−10	+6	−1	−6	−9	−8	−3	−10	−8
Texas	—	+2	—	—	−11	—	—	−10	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	−7	+4	−3	−9	−3	−7	0	+18	+7
PACIFIC: CA, OR, WA	−5	−3	−4	+4	+5	+4	+4	+3	+4
L.A.-San Diego	—	—	—	—	—	—	—	—	—
Oregon-Washington	+2	−4	−1	−3	+12	+5	+4	+10	+7
U.S. TOTALS	−8	−2	−5	−6	−5	−3	−3	0	−2

C8650-6A

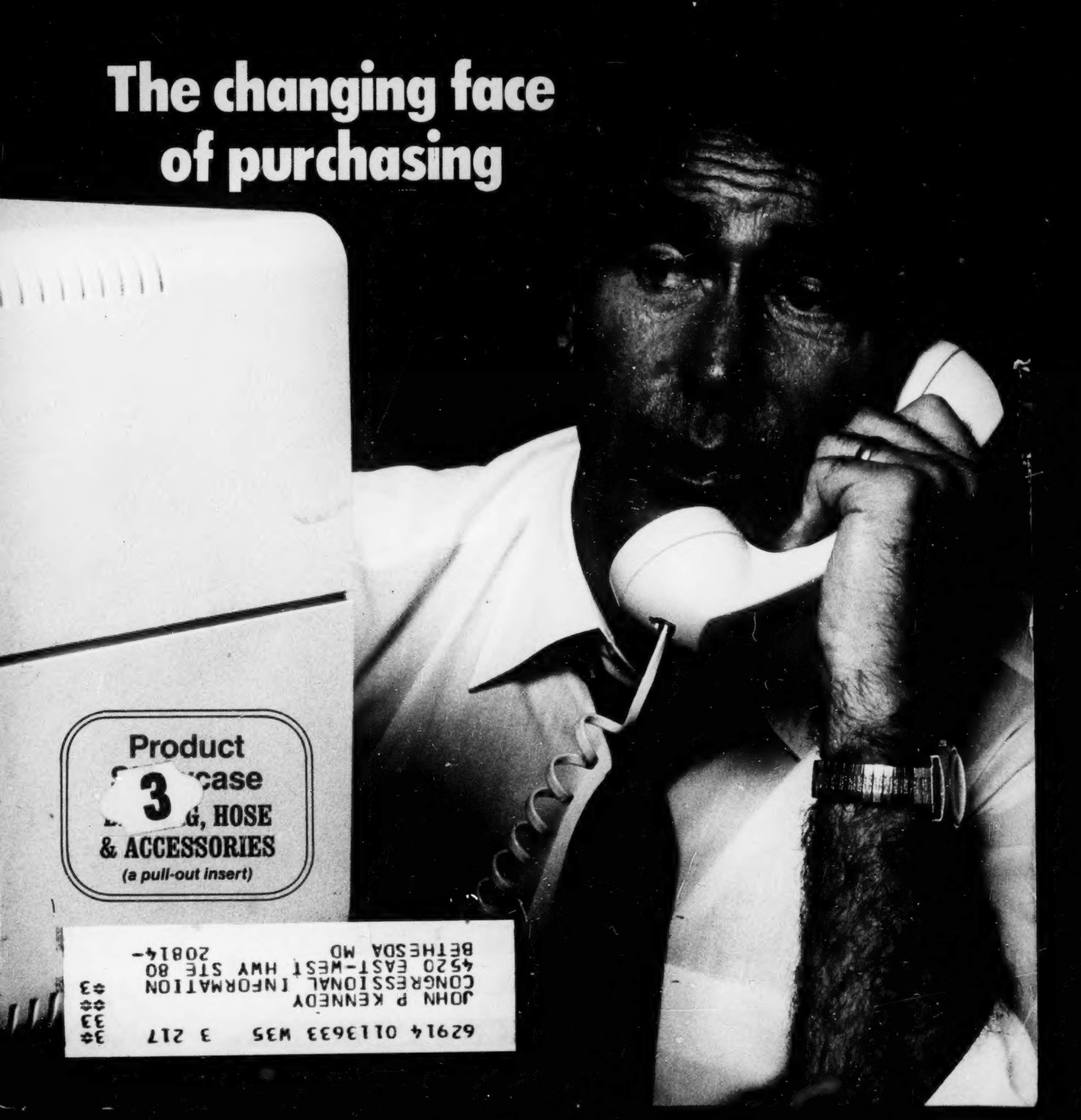
Industrial Distribution

© TECHNICAL PUBLISHING

September 1986

Hotline:
An uncertain future poses a dilemma for distributors

The changing face of purchasing



Product
S case
3
G, HOSE
& ACCESSORIES
(a pull-out insert)

62914 0113633 M35 3 217
JOHN P KENNEDY
CONGRESSIONAL INFORMATION
4520 EAST-WEST HWY STE 80
BETHESDA MD 20814-

Industrial Distribution

VOL. 75, NO. 9/75th yr. A TECHNICAL PUBLISHING PUBLICATION SEPTEMBER 1986

12
INDUSTRY NEWS
PTDA study puts spotlight on power transmission industry and its distributors; NIBA annual meeting in San Diego starts September 28; Bearing distribution growth seen in new BSA study; U.S. process control industry dips in '86,says new study.

42
HOTLINE
Distributors are torn between investing in inventory and waiting for the direction of the economy to stabilize.

44
STRICTLY FOR SALESMEN
Trading in bad for good

BH1
SHOWCASE
Belt, hose and accessories

Industrial Distribution, (USPS-889-860) is published monthly by Technical Publishing, a Division of Dun-Donnelley Publishing Corporation, a Company of the Dun & Bradstreet Corporation, John K. Abely, President. EXECUTIVE, EDITORIAL AND ADVERTISING OFFICES, 875 Third Ave., New York, NY 10022. (212) 605-9400. Second class postage paid at Barrington, IL 60010 and additional mailing office.

Postmaster: Send address changes to Industrial Distribution, Circulation Dept., P.O. Box 1063, Barrington, IL 60010.

Microfilm or reproductions of issues or articles are available. Write Xerox University Microfilms, Ann Arbor, MI 48106.

36 COVER STORY
THE CHANGING FACE OF PURCHASING

The miraculous computer will never replace the skills of the space-age buyer
Photograph: Rick Barrick.

90
COMPUTER/ TELECOMMUNICATIONS UPDATE

104
MARKETING/ OPERATIONS IDEAS
Rule-tide rebate season again; Update salesforce on pneumatic know-how; Organize meetings more effectively; Conveyorese made simple; Adjustable racking for flexible warehouse; Keep ahead of robotics with industry yearbook; The complete source for fluid power info; Uplifting options for financing; Take more money out of your business.

96
SILVER QUARTERLY INFLATION INDEX

109
REGIONAL
Your best bet.
(Does not appear in all editions)

9 READER SERVICE CARD
23 MEETINGS
27 WASHINGTON REPORT
30 READERS WRITE
32 BUSINESS REPORT
34 LIKE IT OR NOT
112 NEW PRODUCTS
122 IN PRINT
127 READER SERVICE CARD
130 APPOINTMENTS
134 CLASSIFIED ADVERTISING
136 ADVERTISERS INDEX

will examine the new tax reform bill and its implications for distributors.

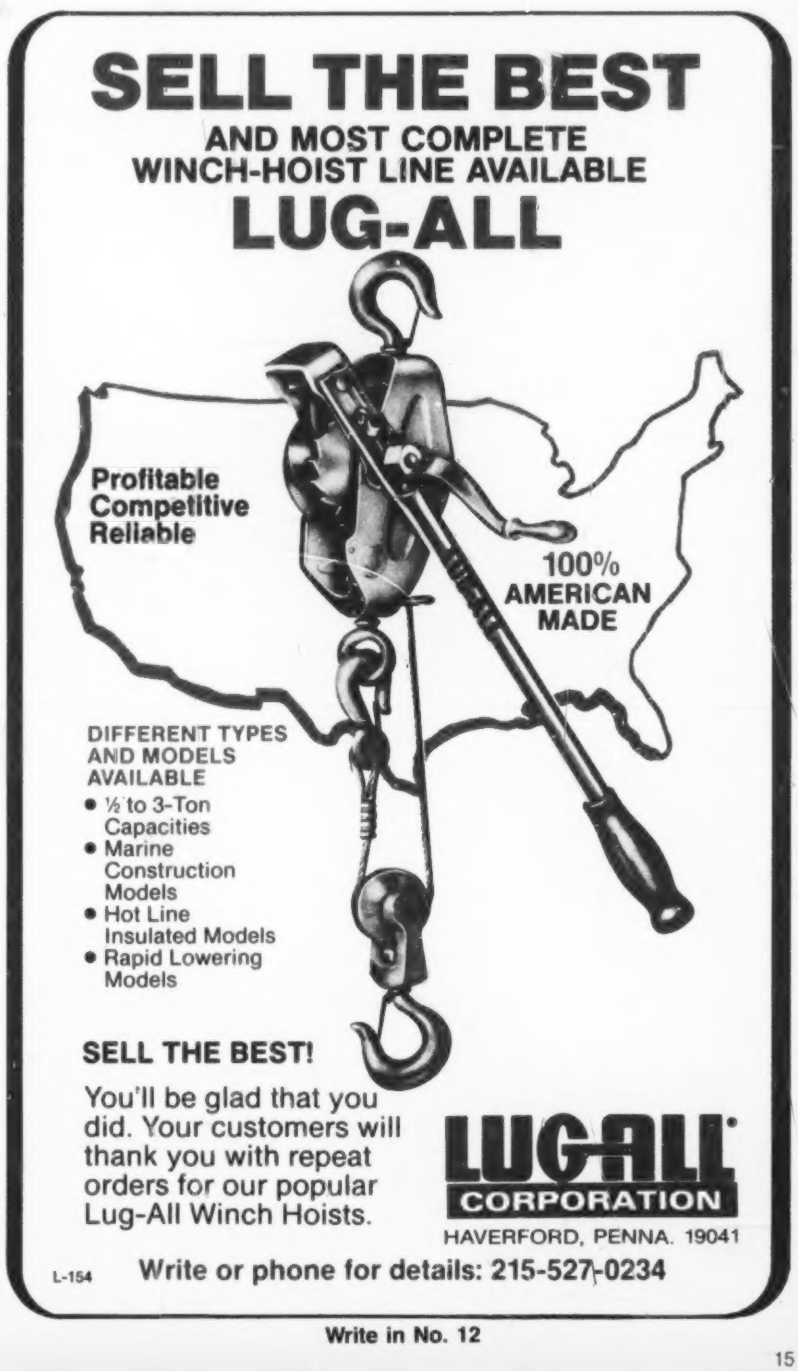
Two breakout sesssions will be held on Tuesday morning: "Manufacturers Panel on Conveyor and Elevator Buckets" and "Manufacturers Panel on Lightweight Belt Fabrication." The sessions will be held concurrently and will be repeated once.

An *Encounter* with the title "You Asked For It" will be conducted by a panel comprising distributors and manufacturers on Tuesday afternoon.

Highlights of the meeting's social events will be the opening reception and Mexican fiesta buffet on Sunday and a cocktail reception and dinner dance on Tuesday.

Indicators...

The latest data from three key trade associations indicates lackluster business conditions as one index gained a few points and two retreated marginally. The NIDA/SIDA *Industrial Distribution Index* for the month of June on a national basis fell again from the previous month, closing at 137.4, a drop of 5.7, not serious in itself but 6.3 below the June level a year ago. Of the four regions reporting, only the East increased over May rising a scant 2.1 in June but bettering its June '85 figure by 1.3. The Midwest, West and South all retreated, by 6.5, 13.2 and 3.9 respectively, below their levels last year...SIDA's *Monthly Sales Trend Report* for May fell by 2.36 from April with Area I (NC, VA, WV) the only bright spot gaining 5.5 over the previous month. Area II (FL, GA, SC, Puerto Rico) dropped 4.82, Area III (AL, KY, MS, TN) slipped 8.04 and Area IV (AR, LA, OK, TX) declined by 6.01. With the exception of Area I, in a May '85/May '86 and year-to-date '85/year-to-date '86 comparison, all other SIDA areas have decreased...The one bright spot was ASMMA's *New Order Index* for May which increased 3.4 points or 2.9% in May to 119.4, reversing the downward trend of the two previous months...The National Welding Supply Assn (NWSA) *Welding Supply Index* for June increased by 4 points over May to 207.1. The current figure is 9.9 higher than June '85. YTD '86 is running 2.1% ahead of YTD '85. The June Index figure has only been exceeded four times in its history...The National Electronic Distributors Assn. (NEDA) shipments increased by 3% in June from May and stand 19% ahead of June of last year and 8% over YTD '85.


SELL THE BEST
AND MOST COMPLETE
WINCH-HOIST LINE AVAILABLE
LUG-ALL

Profitable
Competitive
Reliable

100%
AMERICAN
MADE

DIFFERENT TYPES
AND MODELS
AVAILABLE
- ½ to 3-Ton Capacities
- Marine Construction Models
- Hot Line Insulated Models
- Rapid Lowering Models

SELL THE BEST!
You'll be glad that you did. Your customers will thank you with repeat orders for our popular Lug-All Winch Hoists.

LUG-ALL
CORPORATION
HAVERFORD, PENNA. 19041

L-154 Write or phone for details: 215-527-0234

Write in No. 12

BUSINESS REPORT

Regional differences widen

Rarely do all the regions of the country, or areas within the regions, move in tandem. The economics of a region based on its manufacturing base, export-import dependencies, and population density, understandably dictate these differences. However, unique economic factors affecting oil states such as Texas and Colorado, and agricultural states such as Georgia and South Carolina now suffering through a long drought, have exacerbated conditions far beyond other sections of the country where the economy is benefiting from relatively low interest rates (case in point: areas of New York State where new housing construction is near record highs), as well as specialized high tech start-up operations (in states as far apart as Arizona and Massachusetts).

Because distributors tend to be heavily region-oriented, their business statistics may not necessarily agree with other distributors', even in another part of the same state, for example, L.A.-San Diego compared to the San Francisco Bay area. Intrastate comparisons can show even wider discrepancies compared with business statistics compiled by manufacturers. Many manufacturers are selling nationally, not regionally, which is a major difference, and manufacturers do not carry and sell the mix of products most distributors handle, thus customer demands and sales are markedly different. For these reasons, statistics compiled by manufacturers should not be compared to statistics compiled on these pages by and for distribution houses contributing to this monthly report.

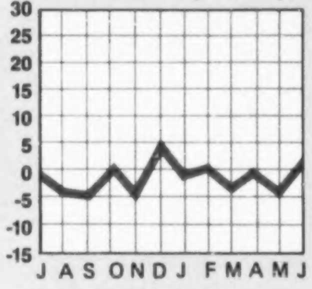
Nationally, June '86 vs. June '85 shows a gain of 2% which follows the narrow lackluster pattern going back to January of this year (see graph).

Month-to-month statistics (June '86 vs. May '86) continue weak indicating a drop of 8% (this figure was down 5% last month).

Cumulative comparisons (the first half of '86 compared to '85) is about the same as last month's figure, down 1%.

Receivables are holding around the 40 day mark. **Milt Ellenbogen**

% change in sales when compared with same month in previous year



RECEIVABLES*

	June '86 Gen.	June '86 Spec	vs. June '85 Gen.	June '85 Spec.
New England	44	46	47	46
Middle Atlantic	44	45	45	44
South Atlantic	37	37	36	38
East No. Central	40	40	39	41
East So. Central	41	32	43	34
West No. Central	37	40	42	39
West So. Central	—	42	—	37
Mountain	37	—	37	—
Pacific	31	37	37	39
National	39	40	41	40

* Average days outstanding

SALES BY REGIONS (% change)	Jun.'86 vs. May '86			Jun.'86 vs. Jun.'85			1st six months'86 vs. 1st six months'85		
	Gen.	Spec.	Both	Gen.	Spec.	Both	Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	+3	−9	−5	+8	−4	+1	−8	−7	−7
Connecticut	—	−6	—	—	−11	—	—	−5	—
Massachusetts	+14	−4	+2	−1	−10	−9	−2	−7	−5
MIDDLE ATLANTIC: NY, NJ, PA	−3	−6	−5	+1	−7	−5	−6	−2	−3
New York Metropolitan Area	—	−1	—	—	−2	—	—	−2	—
Upstate New York	+4	+8	+6	−3	−23	−13	+2	−3	0
Pennsylvania	−15	−15	−15	−5	−7	−6	−7	−2	−3
SOUTH ATLANTIC:DE, DC, MD, FL, GA, NC, SC, VA, WV	−29	−2	−22	−7	−2	−6	+1	−4	−1
Georgia-Florida	−7	−2	−4	−6	0	−2	−9	−5	−7
EAST NORTH-CENTRAL: OH, IN, IL, MI, WI	−4	+1	−1	−3	+7	+3	0	+3	+1
Indiana	—	—	—	—	—	—	—	—	—
Wisconsin	−10	−8	−9	+17	+6	+9	+15	+1	+4
Chicago	—	—	—	—	—	—	—	—	—
Michigan	—	−4	—	—	+16	—	—	0	—
Ohio	−12	+1	−4	−24	+8	−6	−13	+4	−4
EAST SOUTH CENTRAL:AL,MS, KY, TN	−1	+19	+6	+15	+19	+17	+14	−3	+7
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	+16	−1	+10	+24	+4	+17	−6	0	−4
WEST SOUTH CENTRAL: AK, LA,OK, TX	—	−24	—	—	−20	—	—	−5	—
Texas	—	−20	—	—	−14	—	—	−5	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	+3	−13	−1	+6	−15	0	+3	−4	+1
PACIFIC: CA, OR, WA	−12	−4	−6	−2	+1	0	−1	+4	+3
L.A.-San Diego	—	—	—	—	—	—	—	—	—
Oregon-Washington	−13	+1	−4	−5	+5	+1	+5	+10	+8
U.S. TOTALS	−10	−3	−8	+3	+1	+2	−1	−1	−1

ID's QUARTERLY INFLATION INDEX

For the second quarter of 1986 the *Silver/ID Price Index* rose at an annualized rate of only 1.26%, compared to 3.27% for the first quarter. This reduces the annualized rate based on the first six months to the in-between rate of 2.22%. For the entire year of 1985 our index rose by 0.98%; the last 12 months (June '86 vs. June '85) by 1.30%.

As we have pointed out a number of times in the past, the inflation rate for the first quarter tends to overstate substantially the inflation rate for the year as a whole, because many vendors strike their bolt in the first quarter, and in the slack state of the market make no further raises for the rest of the year. The present outlook is that as succeeding quarters moderate the impact of the relatively high first quarter increase in the *Silver/ID Price Index*, by the end of 1986, the actual annual rise in prices is not likely to exceed the 1% of last year.

The *Producer Price Index* for June showed no evidence of a pickup in a sluggish economy. Our own index corroborates this.

Compiled by Alan Silver Associates, Inc., Highland Park, NJ.

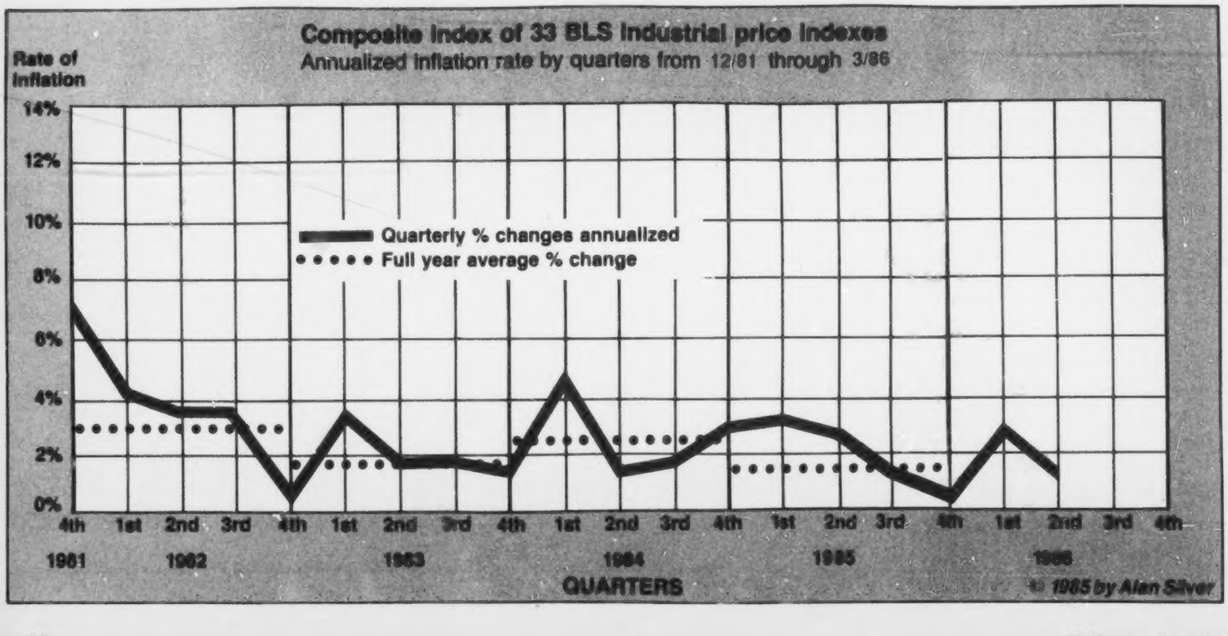
For reprints of Alan Silver's articles on inventory management, write: Alan Silver & Associates, Inc., 168 Woodbridge Ave., Highland Park, NJ 08904.

[*continued on page 100*]

Table 1—Comparing inflation indexes

	Current qtr	*BLS inflation rates(%) Year-to-date		
	6/86 vs 3/86 annualized	6/86 vs 12/85 annualized	6/86 vs 6/85	12/85 vs 12/84
Silver/ID index of 33 industrial products groups	1.26%	2.22%	1.30%	0.98%
NIDA/SIDA index of 10 industrial product groups	2.24%	2.16%	0.74%	1.75%
**PPI index of industrial commodities	-3.04%	-8.36%	-4.03%	0.68%
Average of above indexes	0.15%	-1.33%	-0.66%	1.14%
**PPI index of finished goods (indl/agric)	0.40%	-5.58%	-1.70%	1.64%
Silver/Wholesaler index of 13 lines (plmbg/htng	3.36%	2.42%	1.61%	2.63%
Electrical Marketing index of 24 product groups	-0.24%	2.20%	1.90%	0.80%
***NAED cost variance index: 16 product groups	1.60%	4.12%	3.49%	4.78%
Consumer Price Index, Seasonally adjusted	1.48%	-0.24%	1.77%	3.77%

*Bureau of Labor Statistics (1967 = 100)
**Producers Price Index (formerly Wholesale Price Index)
***National Assn. of Electrical Distributors (non-BLS) (1973 = 100)
NOTE: All figures are based on Bls unadjusted indexes unless otherwise noted. For the first quarter of each year, the first two columns of figures will be alike. For all other quarters, the first column will be the last quarter annualized, and the second column 9 of figures will be current year-to-date annualized.



ID's QUARTERLY INFLATION INDEX-2nd QUARTER 1986

Table 2—ID quarterly inflation index (1967 = 100 except where otherwise indicated)

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11
Product category	Current qtr. 6/86	Previous qtr. 3/86	% inflation current qtr.	Current qtr. annualized %	Year-to-date 6/86 vs 12/85 %	Year-to-date 6/86vs 12/85 annualized %	Last 12 months	4th qtr. 85	4th qtr. 84	Annual inflation 85 %
[5]Lubricating oils	99.9	102.3	-2.35	-9.40	1.63	3.26	--	98.3	372.7	--
Prepared paint	281.2	280.0	0.43	1.72	1.01	2.02	1.15	278.4	277.3	0.40
*Rubber belts & belting	337.4	337.5	-0.03	-0.12	0.30	0.60	-5.09	336.4	344.5	-2.35
Other misc. rubber products	310.9	304.8	2.00	8.00	3.81	7.62	3.63	299.5	304.3	-1.58
Plastic construction products	155.7	159.2	-2.20	-8.80	-0.06	-0.12	-4.30	155.8	168.8	-7.70
Semi-finished steel products	366.6	367.6	-0.27	-1.08	-0.87	-1.74	-1.66	369.8	373.0	-0.86
Wire & cable	206.5	206.5	0.00	0.00	0.58	1.16	1.82	205.3	201.2	2.04
[2]Electric wire & cable	105.2	103.4	1.74	6.96	1.64	3.28	1.94	103.5	103.6	-0.10
[2]Building wire & cable	100.5	102.2	-1.66	-6.64	1.11	2.22	6.24	99.4	97.8	1.64
Builders hardware	314.2	312.7	0.48	1.92	0.93	1.86	1.75	311.3	302.8	2.81
*Hand tools	383.3	382.2	0.29	1.16	1.27	2.54	2.54	378.5	365.5	3.56
*Misc. metal products	301.3	303.6	-0.76	-3.04	-0.36	-0.72	-0.40	302.4	301.6	0.27
[1]Industrial safety equipment	156.2	148.5	5.19	20.76	8.02	16.04	9.00	144.6	139.6	3.58
*Bolts, nuts, screws & rivets (fasteners)	277.2	275.4	0.65	2.60	0.40	0.80	0.22	276.1	280.0	-1.39
*Power-driven hand tools	238.9	235.9	1.27	5.08	1.62	3.24	3.29	235.1	226.6	3.75
Welding machines & eq.	300.9	299.2	0.57	2.28	1.28	2.56	2.70	297.1	285.1	4.21
*Cutting tools & accessories	291.5	289.8	0.59	2.36	1.43	2.86	1.96	287.4	283.3	1.45
Precision measuring tools	268.0	268.3	-0.11	-0.44	1.09	2.18	1.79	265.1	254.9	4.00
*Abrasive products	319.7	313.2	2.08	8.32	1.95	3.90	0.79	313.6	308.1	1.79
Metal cutting machine tools	403.1	399.1	1.00	4.00	2.02	4.04	1.56	395.1	394.7	0.10
Metal forming machine tools	439.6	438.4	0.27	1.08	0.55	1.10	1.34	437.2	428.7	1.98
Pumps, compressors & eq.	361.1	357.9	0.89	3.56	0.45	0.90	1.40	359.5	352.2	2.07
Fluid power eq	268.2	266.7	0.56	2.24	0.98	1.96	1.75	265.6	261.8	1.45
*Industrial material handling eq.	295.9	295.3	0.20	0.80	-0.03	-0.06	0.34	296.0	292.2	1.30
*Mechanical power transmission eq.	343.6	342.2	0.40	1.64	1.36	2.72	1.15	339.0	330.8	2.48
[2]*Metal valves, (except fluid power)	106.6	106.2	0.38	1.52	0.38	0.76	1.62	105.3	102.8	2.43
[2]*Metal pipe fittings	107.4	111.8	-3.94	-15.76	-2.01	-4.02	-2.54	109.6	109.0	0.55
Ball & roller bearings	365.0	354.2	3.05	12.20	3.34	6.68	3.19	353.2	344.5	2.53
[4]Plain bearings	96.9	101.1	-4.15	-16.60	-4.15	-8.30	-3.87	101.1	262.2	--
Wiring devices	373.5	372.7	0.21	0.84	2.55	5.10	3.61	364.2	362.0	0.61
Integrating & Measuring Instruments	235.3	234.8	0.21	0.84	1.12	2.24	0.94	232.7	230.8	0.82
[3]Electric motors	108.3	107.8	0.46	1.84	-0.09	-0.18	-0.28	108.4	105.3	2.94
[3]Generators & generator sets	111.1	107.9	2.97	11.88	3.35	6.70	4.03	107.5	102.8	4.57
Silver/ID composite	304.9	303.9	0.32	1.26	1.11	2.22	1.30	301.4	297.3	1.41
*NIDA/SIDA composite	315.2	313.4	0.56	2.24	1.08	2.16	0.74	311.8	306.5	1.76

*Included in NIDA/SIDA composite

[1] 6/78 = 100 [2] 12/82 = 100 [3] 6/83 = 100 [4] 12/84 = 100 [5] 6/85 = 100

Copyright: Alan Silver & Associates

10/16/86 C8650-6A

Industrial Distribution

© TECHNICAL PUBLISHING

October 1986

Hotline:
Distributors stung by growing number of customer bankruptcies

ID 75
THE YEARS OF DISCOVERY
1911-1936
ID 75
THE TURBULENT YEARS
1936-1961
ID 75
YEARS OF INNOVATION
1961-1986
ID 75
THE FUTURE YEARS
DRILL BIT
3/16"
DB316-9786
INDUSTRIAL, INC.
ROBOTS AND SUPPLIES

62015 0140453 W 3 151 3*
MS. JEANNE LONG/SRI AQUIS 33
CONGRESSIONAL INFORMATION **
SERVICE/EDITOR• *3
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814-

THE FUTURE YEARS 1986-2000

ID 75

Industrial Distribution

VOL. 75, NO. 10/75th yr. A TECHNICAL PUBLISHING PUBLICATION OCTOBER 1986

12
INDUSTRY NEWS

Two McGraw-Hill studies examine costs of selling; Screw Machine Supply appoints J.A. Misiura chief executive officer; Permatex becomes subsidiary of Loctite Corp; Sales efforts being computerized, says new research study; Robert S. Jacobs named president of Newcomer Products.

* **PTDA's** 27th annual convention in "The Big Apple" October 26-29

36
HOTLINE

Distributors are stung by increasing number of customer bankruptcies

56
STRICTLY FOR SALESMEN

Making trade shows pay off.

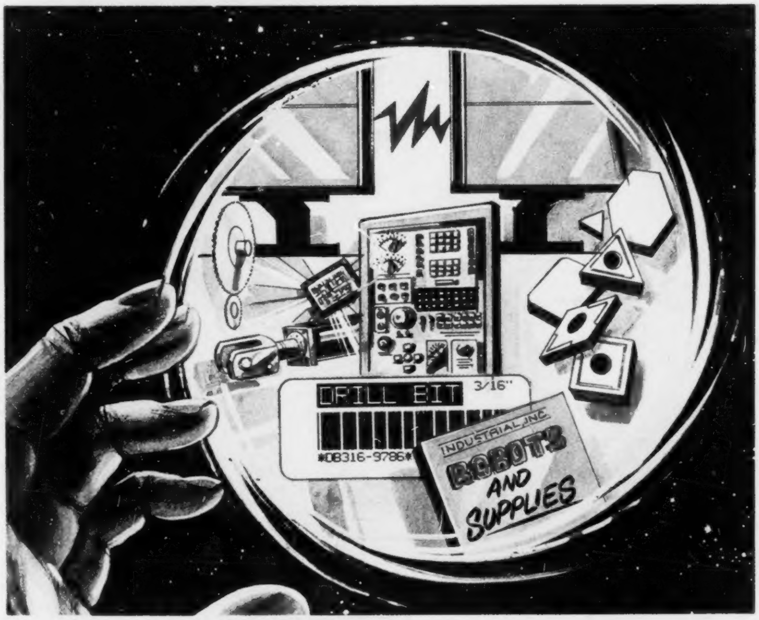
62
STAFDA: filling a niche

Industrial Distribution, (USPS-889-860) is published monthly by Technical Publishing, a Division of Dun-Donnelley Publishing Corporation, a Company of the Dun & Bradstreet Corporation, John K. Abely, President. EXECUTIVE, EDITORIAL AND ADVERTISING OFFICES, 875 Third Ave., New York, NY 10022. (212) 605-9400. Second class postage paid at Barrington, IL 60010 and additional mailing office.

Postmaster: Send address changes to Industrial Distribution, Circulation Dept., P.O. Box 1063, Barrington, IL 60010.

Microfilm or reproductions of issues or articles are available. Write Xerox University Microfilms, Ann Arbor, MI 48106.

38 COVER STORY
ID's DIAMOND JUBILEE
THE FUTURE YEARS: 1986-2000



Cover illustration by Arthur Arias.

58
COMPUTER TELECOMMUNICATIONS UPDATE

68
MARKETING/ OPERATIONS IDEAS

Highway graphics brighten image; Pursuit of trivia enters marketing game; Guide addresses new mail-order markets; Video explains distribution dynamics; Control contamination in EDP environments.

9 READER SERVICE CARD

12 WASHINGTON REPORT

22 MEETINGS

28 READERS WRITE

32 BUSINESS REPORT

34 LIKE IT OR NOT

74 WE WERE THERE

76 NEW PRODUCTS

83 READER SERVICE CARD

87 IN PRINT

90 APPOINTMENTS

91 CLASSIFIED ADVERTISING

92 ADVERTISING INDEX

headquartered here, has named Joseph A. Misiura its new CEO.

Screw Machine Supply's CEO slot was held by Robert J. Olsen, former president of the company and of the National Industrial Distributors Assn. Olsen is currently chairman of the firm's board.

Misiura joined SMS in 1976 as field sales manager and moved through the positions of vice president-sales and executive vice president before being named president last May.

A graduate of Penn State, Misiura worked for Revlon Cosmetics, Masonite Corp. and, from 1971 until he joined SMS, for Norton Corp. in various manufacturing, and marketing slots. ☐

Indicators...

Reflecting the general weakness of the economy, all three prime indices retreated for the month of June compared to May. The NIDA/SIDA *Industrial Distribution Index* on a national basis dropped to 137.4 from its May reading of 143.1. With the exception of a rise of 2.1 experienced in the East, all other sections of the country reported declines. The Midwest reported a drop of 6.5, the West a massive fall of 13.2 and the South a dip of 3.9. And, again with the exception of the East, all areas of the country are below their June '85 levels...SIDA's *Monthly Sales Trend Report* for June showed a drop of 3.77 for the entire association area from May despite a strong gain of 15.57 experienced in SIDA Area III which comprises AL, KY, MS, and TN. All other Areas showed losses. Area I (NC, VA, WV) slid by 9.22. Area II (FL, GA, SC, Puerto Rico) was down 5.40 and Area IV (AR, LA, OK, TX) was off 5.73. In a June '86/June '85 comparison, all Areas are below their levels of a year ago ranging from an insignificant 0.51 decline in Area II to a substantial decrease of 13.06 in Area IV. A year-to-date '86 comparison with year-to-date '85, shows Areas I and III just below their '85 levels while Area IV is down 12.40...ASMMA's *New Order Index* for June slid 2.7 points (2.3%) from its May level. While still well above the depressed levels of the Index in 1983, the current figure is below all but six of the last 30 months...the American Machine Tool Distributors' Assn. *New Orders Index* for June dropped dropped 12.5 points from May for a loss of 12.1%...According to the *Quick Pulse Index* of the National Assn. of Aluminum Distributors, June shipments retreated from May levels by 1.3%.

the LONGEST self-storing cable (50 feet)... on any portable 2-ton winch-hoist!

It's amazing! This LUG-ALL stores 50 feet of usable aircraft cable right on its own drum. Yet it weighs so little that one man can easily carry and rig it alone! It makes easy work of pulling cable through conduit, in fact of all horizontal pulling and tightening . . . even around corners. Stock it . . . demonstrate it . . . and pull in the profits!

OTHER LUG-ALL MODELS:
- ½ to 3-ton capacities
- Corrosion-resistant marine grade
- Insulated web strap hoists for hot line work

1001 APPLICATIONS

LUG-ALLS NOW IN SERVICE THROUGHOUT THE WORLD

LUG-ALL®
CORPORATION
HAVERFORD, PENNA. 19041 • (215) 527-0234

L-149

Write in No. 12

BUSINESS REPORT

South cautiously optimistic

Although many distributors in the South Atlantic region report that sales are flat to lower compared to last year, the number of requests for quotations has been on the increase. This together with other signs of life in dependent businesses have again raised hopes of a meaningful recovery after a long drought this summer further hurt already weak business conditions.

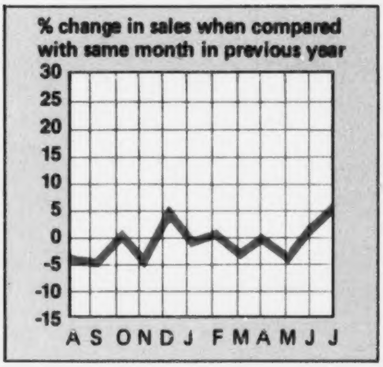
In Florida and Georgia, pulp and paper manufacturing plants are stirring again due to increased product demands, especially the need for kaolin, commonly used for paper coatings in the paper industry, and also for packing in the rubber industry, although the rubber industry is still experiencing hard times. This type of manufacturing requires a large amount of power transmission equipment, especially industrial bearings, although here very low margins continue to hurt distributors in spite of increased sales.

Other southern states where specific industries are coming back include North Carolina, where chemical processing industries led by duPont, which also has plants in South Carolina and Georgia, are going strong, and Florida, which is benefitting from industrial farms producing and refining sugar cane. Products such as pipe, valves and fittings for refining, as well as saw blades to chop the sugar, are in high demand here. Citrus farming, however, is in decline, as a lot of citrus is now coming into the country from Brazil.

Another industry giving some needed impetus to distributors in the South Atlantic region is telecommunications, where supplying low tech MRO products to high tech companies is becoming big business.

In regional reporting for July, sales increased 5% over July '85, matching the largest gain since December of last year (see graph). However, month-to-month figures (below) are weak at 4%, with cumulative figures (first 7 months of '86 compared to '85) even. Receivables continue to improve: 39 days for specialists, 40 for general liners.

—Milt Ellenbogen



% change in sales when compared with same month in previous year

RECEIVABLES*

	July '86 Gen.	July '86 Spec	vs. July '85 Gen.	July '85 Spec.
New England	41	46	40	45
Middle Atlantic	47	42	43	42
South Atlantic	35	35	36	36
East No. Central	41	39	38	39
East So. Central	42	30	42	34
West No. Central	39	40	39	37
West So. Central	34	41	—	37
Mountain	37	—	40	—
Pacific	43	37	44	38
National	40	39	40	39

* Average days outstanding

SALES BY REGIONS (% change)	July'86 vs. June'86			July'86 vs. July'85			1st seven months'86 vs. 1st seven months'85		
	Gen.	Spec.	Both	Gen.	Spec.	Both	Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	−8	+9	+2	−10	+7	0	−8	−6	−6
Connecticut	—	+4	—	—	+15	—	—	−4	—
Massachusetts	−15	+10	+2	−9	−5	−6	−2	−7	−5
MIDDLE ATLANTIC: NY, NJ, PA	+5	−12	−6	+1	+8	+5	−6	+1	−2
New York Metropolitan Area	+2	−5	−3	−2	+1	0	−10	+2	−3
Upstate New York	+8	−2	+3	+5	−4	+1	−3	−5	−4
Pennsylvania	+7	—	—	+2	—	—	−5	—	—
SOUTH ATLANTIC:DE, DC, MD, FL, GA, NC, SC, VA, WV	−2	−6	−4	+7	−1	+3	−3	−3	−3
Georgia-Florida	+10	−4	+2	+13	−7	+1	−5	−6	−5
EAST NORTH-CENTRAL: OH, IN, IL, MI, WI	−1	−8	−5	+2	+10	+6	+1	+8	+5
Indiana	—	—	—	—	—	—	—	—	—
Wisconsin	−6	−4	−5	+5	+11	+9	+14	+7	+9
Chicago	—	—	—	—	—	—	—	—	—
Michigan	+16	−22	−8	+23	+5	+13	+4	+4	+4
Ohio	+4	−4	−1	−18	+9	−3	−14	+5	−4
EAST SOUTH CENTRAL:AL,MS, KY, TN	0	−1	0	+10	+14	+11	+15	−1	+9
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	+1	+2	+1	+20	+13	+17	−4	+2	−1
WEST SOUTH CENTRAL: AK, LA,OK, TX	−12	+10	+3	+9	−5	−2	+8	−13	−9
Texas	—	+8	—	—	−2	—	—	−10	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	−10	—	—	−5	—	—	+3	—	—
PACIFIC: CA, OR, WA	−17	+12	−7	−2	+3	0	+3	+3	+3
L.A.-San Diego	—	—	—	—	—	—	—	—	—
Oregon-Washington	—	+4	—	—	−3	—	—	+6	—
U.S. TOTALS	−5	−2	−4	+4	+6	+5	0	0	0